

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

'08 CIV 8103

THIRD AVENUE INSTITUTIONAL
INTERNATIONAL VALUE FUND, L.P., On
Behalf Of Itself And All Others Similarly
Situated

Plaintiff,

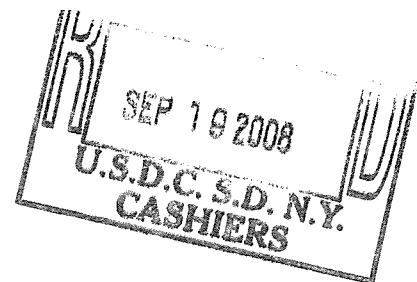
v.

Civil Action No. _____

THE RESERVE FUND, RESERVE
MANAGEMENT COMPANY, INC., THE
PRIMARY FUND, SANTA ALBICOCCO,
RONALD J. ARTINIAN, BRUCE R. BENT,
WILLIAM E. VIKLUND, JOSEPH D.
DONNELLY, EDWIN EHLERT, JR.,
WILLIAM J. MONTGORIS, FRANK J.
STALZER, AND STEPHEN P. ZIENIEWICZ,

Defendants.

**JURY TRIAL DEMANDED
ECF CASE**



VERIFIED COMPLAINT

Plaintiff Third Avenue Institutional International Value Fund, L.P. (“Plaintiff”), brings this action based upon its own knowledge, information, and belief, and counsel’s investigation of Defendants and of the facts alleged herein.

NATURE OF THE ACTION

1. This class action arises from a gross inequity visited upon Plaintiff and the Class by Defendants—a \$62 billion money market fund and its advisor and trustees. As alleged below, in the wake of massive losses incurred as a result of recent upheaval in the financial sector, Defendants breached their contractual and fiduciary duties to Plaintiff and other investors in the fund by allowing certain investors to redeem their shares at full value, while requiring Plaintiff and others to redeem their shares at a significant loss. This inequitable and unlawful treatment—if not enjoined by this Court—will result in a severe and fundamentally unfair dilution in the value of the Class’ shares and will cause significant and irreparable harm to Plaintiff and members of the Class.

2. The Reserve Primary Fund (the “Fund” or “Primary Fund”) is a money market fund that acts as a conservative investment vehicle with a primary objective of maintaining a Net Asset Value (“NAV”) equal to or greater than \$1.00 per share. The Primary Fund’s Prospectus (attached as Exhibit A), which provides the contractual terms governing the terms of Plaintiff’s and other shareholders’ investment in the Fund, contains well defined provisions for the calculation of the NAV and the application of the NAV to value shareholders’ investments upon redemption. Those provisions ensure that all investors are treated equally, and can buy and sell shares with a clear understanding of how the price of those shares will be calculated.

3. Among other things, the Prospectus further provided that the Primary Fund would redeem shares at the value based upon the “next NAV determined after a proper redemption

request.” Thus, if a valid redemption request was received during any time prior to the close of trading on a trading day, pursuant to the Prospectus, the fund was supposed to redeem those shares according to the NAV calculated at the close of trading on that day.

4. As described below, in the wake of the announcement that Lehman Brothers Holdings, Inc. (“Lehman Brothers”) would be filing for bankruptcy, Defendants allowed certain of the Fund’s shareholders to redeem tens of billions of their shares at full value, while other shareholders were forced to accept less. This inequitable treatment not only violated the plain contractual terms of the Prospectus, it also violated the fiduciary duties that Defendants owe *all* of the Fund’s shareholders.

5. On September 14, 2008, Lehman Brothers announced that it was going to file for bankruptcy protection. The Primary Fund held Lehman Brothers debt securities valued at nearly \$785 million prior to that date. As Defendants knew or should have known, that investment became worthless or nearly worthless before the start of trading on September 15 in the wake of Lehman Brothers’ collapse. Nonetheless, Defendants’ calculation of the Primary Fund’s NAV at the close of trading on September 15 inexplicably failed to account for the impact of Lehman Brothers’ bankruptcy on the value of those debt securities and the Fund’s NAV.

6. Following the Lehman bankruptcy filing on Monday morning, September 15th, many investors in the Fund immediately sought redemption. In an effort designed to stem the tide of redemption requests from the Fund and prevent a “run on the bank” scenario, Defendants issued a press release on September 15th after the close of trading announcing that the Primary Fund had “ensure[d] the integrity of a \$1.00 NAV,” *i.e.*, the Primary Fund’s normal valuation. The promise that the Primary Fund would not “break the buck” and report an NAV of less than \$1 reassured Plaintiff and other members of the Class, who did not seek immediate redemption

of their shares. At no point on September 15th did the Fund reflect the Lehman Brothers loss in the NAV.

7. Defendants achieved their purpose. Plaintiff and many other investors in the Primary Fund relied on Defendants' statements and did not seek redemption of their shares on September 15, 2008.

8. On September 16, Defendants undertook a stunning reversal and announced, after the close of trading, that the Primary Fund's NAV was \$0.97 on the dollar as a result of Lehman Brothers' bankruptcy—the very thing that they had told investors *the day before* would *have no impact* on the NAV. Moreover, Defendants' September 16 announcement stated that investors who sought to redeem their shares by 3 p.m. on September 16 would receive \$1 per share—the *prior day's NAV*—notwithstanding that the Prospectus required these redemption requests to be valued at the NAV calculated on September 16.

9. Defendants' conduct violates their contractual obligations under the Prospectus and is in violation of their fiduciary obligations to Plaintiff and the Class. If Defendants are permitted to honor redemptions from September 15 and 16 at \$1, a select group of investors will receive far more than that to which they are entitled, and other investors, like Plaintiff and other members of the Class, will receive far less. Such a baldly inequitable distribution of the Primary Fund's assets would be illegal, would result in substantial irreparable harm, and must be precluded.

PARTIES

10. Plaintiff Third Avenue Institutional International Value Fund, L.P. is a Delaware limited partnership with its principal office located at 622 Third Avenue, 32nd Floor New York, NY 10017.

11. On information and belief, Defendant The Reserve Fund is a Massachusetts trust with its principal office located at 1250 Broadway, 32nd Floor, New York, New York 10001-3701, and which transacts business in New York.

12. On information and belief, Defendant Reserve Management Company, Inc. is a New Jersey corporation registered as a foreign business corporation in New York with its principal office located at 1250 Broadway, 32nd Floor, New York, New York 10001-3701, and which transacts business in New York.

13. On information and belief, Defendant The Primary Fund is a series of The Reserve Fund, and a member of The Reserve Fund family of funds.

14. On information and belief, Santa Albicocco is a Trustee serving on the Board of Trustees of The Reserve Fund and is also a Trustee of other Reserve funds. Albicocco has been a Trustee since April 17, 2007.

15. On information and belief, Ronald J. Artinian is a Trustee serving on the Board of Trustees of the Reserve Fund and is a Trustee of other Reserve Funds. Artinian has been a Trustee since April 17, 2007.

16. On information and belief, Bruce R. Bent is a Trustee serving on the Board of Trustees of the Reserve Fund and is also the President of Reserve Management Company, Inc., Chairman of Reserve Management Corporation, Chairman of Resrv Partners, Inc., and Chairman and Director of Reserve International Liquidity Fund Ltd. Bent is the co-founder of The Reserve Fund and has been an officer and Trustee thereof since 1970 and Chairman since 2000.

17. On information and belief, William E. Viklund is a Trustee serving on the Board of Trustees of the Reserve Fund and is a Trustee of other Reserve Funds. Viklund has been a Trustee since April 17, 2007.

18. On information and belief, Joseph D. Donnelly is a Trustee serving on the Board of Trustees of the Reserve Fund and is a Trustee of other Reserve Funds. Donnelly has been a Trustee since 1970.

19. On information and belief, Edwin Ehlert, Jr. is a Trustee serving on the Board of Trustees of the Reserve Fund and is a Trustee of other Reserve Funds. Ehlert has been a Trustee since April 17, 2007.

20. On information and belief, William J. Montgoris is a Trustee serving on the Board of Trustees of the Reserve Fund and is a Trustee of other Reserve Funds. Montgoris has been a Trustee since April 17, 2007.

21. On information and belief, Frank J. Stalzer is a Trustee serving on the Board of Trustees of the Reserve Fund and is a Trustee of other Reserve Funds. Stalzer has been a Trustee since April 17, 2007.

22. On information and belief, Stephen P. Zieniewicz is a Trustee serving on the Board of Trustees of the Reserve Fund and is a Trustee of other Reserve Funds. Zieniewicz has been a Trustee since April 17, 2007.

JURISDICTION AND VENUE

23. This Court has jurisdiction over the subject matter of this action as a class action pursuant to 28 U.S.C. § 1332(d)(2). The amount in controversy exceeds \$5,000,000, exclusive of interests and costs. In addition, at least one member of the class of plaintiffs is a citizen of a state different from at least one defendant and/or at least one member of the class is a foreign state or a citizen or subject of a foreign state and at least one defendant is a citizen of a state.

24. Venue is proper in this district pursuant to 28 U.S.C. § 1391. A substantial portion of the acts and transactions that constitute the violations of law complained of herein occurred in this District.

FACTUAL ALLEGATIONS

25. The Primary Fund is a money market fund that attracted investors by serving as an especially safe, low-yield alternative to holding cash or investing it in short term instruments. The Primary Fund's Prospectus dated September 28, 2007 (the "Prospectus") and filed with the Securities and Exchange Commission ("SEC"), governed the terms of Plaintiff's investment in the Primary Fund. The Prospectus is attached hereto as Exhibit A.

26. The Prospectus constitutes a binding contract between Plaintiff and Defendants.

27. The Prospectus clearly set forth that the Fund's investment objective was to "seek as high a level of current income *as is consistent with the preservation of capital and liquidity.*" (Emphasis added.) Indeed, as reported in *The Wall Street Journal* on September 17, 2008, "Money-market funds are regarded as super-safe investment vehicles for ordinary investors looking for a place to harbor their cash."

28. The Chairman of the Primary Fund's investment advisor, Defendant Bruce R. Bent, has publicly chastised other money market fund managers for making investments he deemed too risky for this type of vehicle, noting that such managers had "lost sight of the purpose of a money fund as part of a "foolhardy quest for a few extra basis points" when money market funds are "definitely not money to take risks with."

29. Typically, shares of money market funds, like the Primary Fund, are designed to sell for \$1 each, so that they appeal to ordinary, everyday investors. These funds are so conservative, and their performance is so predictable, that in the entire 38-year history of money market funds, only one fund has ever seen the value of its shares fall below \$1—an occurrence that is known as "breaking the buck"—until the events set forth herein.

30. In addition to supposedly serving as a predictable safe haven for investors' cash, the Primary Fund also set clear rules by which investors were entitled to make perhaps their most important decision: the decision to sell, or "redeem," their shares to recover their cash. The Prospectus provides that the Fund will honor "redemption" requests made by its investors for return of invested funds. The amount of money returned to an investor is based on the Fund's Net Asset Value ("NAV"), i.e., the aggregate value of the Fund's investments. The NAV is typically expressed as a price per share.

31. Specifically, the Prospectus provided that redemption requests made between the hours of 9:00 a.m. and 5:00 p.m. would be valued based on the NAV as computed at 5:00 p.m. that day.

32. The amount of money returned to an investor in response to a redemption request depends on how the Fund's NAV compares to \$1.00 per share. For example, if the NAV equals \$1.00 per share, then an investor is entitled to a redemption of the full amount of its investment – i.e., a full dollar for every dollar invested. If the NAV is lower than \$1.00, the redemption amount is reduced accordingly – i.e., the fraction of a dollar represented by the NAV is returned for every dollar invested.

33. Prior to Monday, September 15, the Fund's NAV was approximately \$1.00 per share.

34. Part of the Fund's investment portfolio was comprised of debt securities issued by Lehman Brothers, which were valued at approximately \$785 million prior to September 15.

35. Throughout 2008, Lehman Brothers exhibited signs of financial distress that severely called into question its ability to service its debt and even meet short term liquidity requirements. For example, in July the cost of insuring Lehman Brothers' debt through credit

default swaps more than doubled on news that Lehman was exposed to massive amounts of risky and impaired mortgage-backed debt.

36. In early September, Lehman Brothers' slide worsened so appreciably that rumors of its demise swept through the markets. On September 8 and 9, Lehman Brothers' stock price plummeted 52%. The very next day, September 10, Lehman Brothers announced a massive loss of \$3.2 billion for the 2008 fiscal third quarter. On September 11, 2008, Lehman Brothers' stock price plummeted another 42%.

37. By Friday, September 12, the market was awash with news that Lehman Brothers was experiencing a liquidity crisis and would need to find either a willing buyer or a federal bailout to stave off bankruptcy. Indeed, the heads of prominent Wall Street investment banks convened with high-ranking government officials, including the heads of the Treasury and Federal Reserve Bank, to discuss whether Lehman Brothers could be bought privately or receive a federally-funded bailout.

38. As these high-profile meetings continued on Saturday, September 13, word spread that the federal government was unwilling to bail Lehman Brothers out and that Lehman Brothers was having trouble finding a private buyer.

39. By Sunday, September 14, it was reported that Lehman Brothers would file for bankruptcy first thing Monday morning. On the morning of September 15, Lehman Brothers indeed filed for Chapter 11 bankruptcy in the largest and most high-profile bankruptcy filing in U.S. history.

40. Defendants recognized that these events would trigger a run on the Primary Fund, and, in fact, experienced a high level of redemption requests on September 15th. In an effort to stem the tide of redemptions and prevent a "run on the bank," on September 15, following the

close of trading, Defendants swiftly issued a press release reassuring investors that the Primary Fund's NAV *"is not negatively impacted"* by the Primary Fund's *"small"* exposure to Lehman Brothers, and that in any event, the Primary Fund had entered into *"support agreements [that] ensure the integrity of a \$1 NAV."* The press release further reassured investors that Defendants were "carefully monitoring the situation" and would provide "information regarding the investment strategies of our fund offerings." The press release made no mention of any potential change to the Primary Fund's redemption policies. That press release, attached hereto as Exhibit B, stated as follows:

In response to the historic events on Wall Street this past weekend, The Reserve is reaching out to its clients and partners to proactively communicate our position on current events, their impact, if any, on our portfolios and what our next steps will be over the coming weeks. *We want to reaffirm The Reserve's commitment to carefully monitoring the situation and to providing information regarding the investment strategies of our fund offerings.*

As the world's most experienced money fund manager, we view our role as your resource, partner and investment manager.

...

How does this affect The Reserve's Primary Fund

The Reserve is committed to a \$1.00 NAV for its Primary Fund.

Reserve Management Company, Inc., (RMCI) intends to enter into support agreements with the Primary Fund to support the value of Lehman credit held in the Fund. RMCI is the investment adviser to the Fund and has provided investment advice to investment companies within The Reserve family of funds since November 15, 1971. We have discussed with the SEC that our intent is to mitigate any decline in value of the Lehman debt so that it will not result in a decrease to the NAV of the Fund.

We are submitting appropriate documentation to the SEC today, September 15, 2008.

The Reserve's exposure to Lehman debt in the Primary Fund is less than 1.2%. ...

What happens to the Lehman and Merrill positions, and why don't they have material impact on the portfolios?

The majority of the Lehman Brothers' senior debt will be coming due over the next several weeks. Based on the current valuations of these holdings, we believe that the holdings will mature at par value. ***Due to the small exposure as well as par value at maturity, the NAV is not negatively impacted. Furthermore, our support agreements ensure the integrity of a \$1.00 NAV.***

41. On information and belief, Defendants made no change to the Primary Fund's NAV on September 15, despite the fact that they knew at least as early as the previous evening that its substantial investment in Lehman Brothers securities had become worthless or nearly worthless and that the Fund's asset value had therefore decreased. This was contrary to Defendants' fiduciary obligations to Plaintiff and other Fund investors, as well as their express contractual obligation under the Fund Prospectus to update the Fund's NAV daily.

42. On Tuesday, September 16, 2008, after the close of trading, the Primary Fund announced for the first time that the value of its investment in Lehman Brothers had been reduced to essentially zero as of 4:00 p.m. that day and that the Primary Fund's NAV had decreased to \$0.97 per share. As part of that same announcement, the Primary Fund further indicated that (1) redemption requests received prior to 3:00 p.m. on September 16 would be valued at \$1.00 per share; and (2) effective as of September 16, investor redemptions would not be transmitted to redeeming investors for a period of up to seven calendar days following submission of redemptions. This press release is attached hereto as Exhibit C.

43. On information and belief, at no time prior to 4:00 p.m. on September 16 did Defendants make any change to the Primary Fund's NAV. This was again in violation of Defendants' fiduciary and contractual obligations to update the NAV immediately following the Lehman Brothers' bankruptcy announcement, if not earlier.

44. On information and belief, Defendants' ultimate decision to adjust the Fund's NAV to \$0.97 at 4:00 p.m. on September 16 was based on information pertaining to the Lehman Brothers bankruptcy that Defendants already had as of September 15.

45. Plaintiff attempted to redeem some of its shares in the Primary Fund beginning after 3 p.m. on September 16, and attempted to redeem the bulk of its shares on September 17. On information and belief, other members of the Class attempted to redeem some or all of their shares in the Fund after 3 p.m. on September 16.

46. On Wednesday, September 17, 2008, the Fund reiterated that redemption requests received prior to 3:00 p.m. on Tuesday, September 16 would be valued at \$1.00 per share, and further announced that redemption requests received after that time would be valued at the NAV prevailing as of 5:00 p.m. on the day the redemption request was received (\$0.97 as of 5:00 p.m. on September 16).

47. Also on Wednesday, September 17, Defendants announced that the Fund NAV had further decreased to \$0.95 per share. Defendants have indicated that Plaintiff's September 17, 2008, redemption request will be valued at \$0.95 per share.

48. Plaintiff faces substantial irreparable harm if the Fund makes redemption payments valued at a NAV of \$1.00 per share in response to redemption requests made on Monday, September 15 or Tuesday, September 16 prior to 3:00 p.m. In particular, there is a substantial risk that investors who made redemption requests on Monday and Tuesday will receive far more than that to which they are entitled, thereby causing later redeeming investors to receive less than that to which they are entitled. Further, once those funds are distributed to the earlier redeeming shareholders, there is no practical means to retrieve those funds.

49. In stark contrast to Defendants' actions, other money market funds similar to the Primary Fund, which also are faced with declining NAVs and liquidity crises, have acted to redeem their shares in a uniform and equitable fashion. For example, Putnam Investments closed its fund and worked out a distribution plan so that shareholders could redeem their shares through an orderly and fair process. As reported by Bloomberg on September 18, 2008:

Boston-based Putnam Investments said it would close its \$12.3 billion Prime Money Market Fund, which is offered to institutional investors, as of 5 p.m. Wednesday and distribute its assets due to "significant redemption pressure." . . . "Serious constraints on liquidity in money-market instruments created the risk that in order to process redemptions, the fund would realize losses in selling its portfolio securities," the [fund's] statement said. ***For that reason, the fund was closed to "ensure equitable treatment of all fund shareholders," it said.*** [Emphasis added.]

CLASS ACTION ALLEGATIONS

50. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(2), (b)(3) on behalf of a Class of all persons or entities who own or owned shares in the Primary Fund and who had not redeemed all shares in the Fund as of 3 p.m. EST on Tuesday, September 16, 2008. Excluded from the Class are: (a) Defendants; (b) the subsidiaries and affiliates of Defendants; (c) any person or entity who is a partner, executive officer, director or controlling person of Defendants; (d) any entity in which any Defendant has a controlling interest; (e) Defendants' directors' and officers' liability insurance carriers, and any affiliates or subsidiaries thereof; and (f) the legal representatives, heirs, successors and assigns of any such excluded party.

51. The Fund had over \$64 billion in assets as of August 31, 2008. While the exact number of Class members is unknown to Plaintiff at this time, Plaintiff believes Class members number in the thousands.

52. Plaintiff's claims are typical of the claims of the members of the Class, as all Class members held shares in the fund as of 3 p.m. on Tuesday, September 16, 2008, and sustained damages as a result of Defendants' wrongful conduct complained of herein.

53. Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class litigation. Plaintiff has no interests that are adverse or antagonistic to the Class.

54. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Because the damages suffered by any individual Class member may be relatively small, the expense and burden of individual litigation make it impracticable for Class members individually to seek redress for the wrongful conduct alleged herein.

55. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are: (1) whether Defendants breached their contractual obligations set forth in the Prospectus; (2) whether Defendants violated their fiduciary duties to the Class; and (3) whether Defendants are estopped from redeeming the shares in an inequitable manner.

56. On information and belief, the names and addresses of those persons and entities that held shares in the Fund as of 3 p.m. on Tuesday, September 16, 2008, are available from the Fund and its transfer agents or underwriters. Notice may be provided to such Class members via first class mail using techniques and a form of notice similar to those customarily used in securities class actions.

**FIRST CAUSE OF ACTION:
BREACH OF CONTRACT**

57. Plaintiff repeats and realleges the allegations contained in the foregoing paragraphs as if fully set forth herein. This count is asserted on behalf of members of the Class for breach of contract.

58. The Prospectus represents a valid and binding contract between Plaintiff and Defendants that governs the terms of Plaintiff's investment in the Fund. Defendants' conduct, as described above, breached their contractual duties under the Prospectus by altering the terms under which the NAV was calculated.

59. The Prospectus describes Defendants' obligation to value Fund reimbursement requests based on the Fund's NAV, as calculated at the close of each trading day.

60. Plaintiff is not in breach of any obligation under the Prospectus.

61. Defendants were able to perform their obligations under the Prospectus, including recalculating the Fund's NAV on September 15 following the Lehman Brothers bankruptcy announcement, and by valuing redemption requests on the basis of such recalculated NAV value.

62. Defendants breached their contractual obligations under the Prospectus by failing to perform any recalculation of the Fund's NAV on September 15 or prior to 4:00 p.m. on September 16.

63. Defendants have further breached their contractual obligations under the Prospectus by stating their intention to value redemption requests received prior to 3:00 p.m. on September 16 at a value of \$1.00, which is in excess of the NAV that actually prevailed following the Lehman Brothers bankruptcy announcement. The Prospectus obligates Defendants to value redemption requests at NAV, not at some other value.

64. Plaintiff and other members of the Class were injured as a result of the breach and face significant, irreparable harm if Defendants are permitted to continue in their breach of their contractual obligations.

**SECOND CAUSE OF ACTION:
BREACH OF THE IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING**

65. Plaintiff repeats and realleges the allegations contained in the foregoing paragraphs as if fully set forth herein. This count is asserted on behalf of members of the Class for breach of the implied covenant of good faith and fair dealing.

66. The Prospectus represents a valid and binding contract between Plaintiff and Defendants that governs the terms of Plaintiff's investment in the Fund. An implied covenant of good faith and fair dealing inheres in this contract. Separate and apart from the express terms of that contract, the implied covenant of good faith and fair dealing obligated Defendants to deal fairly and equitably with Plaintiff and the Class.

67. Defendants' conduct, as described above, breached the implied covenant of good faith and fair dealing by altering the terms under which it calculated NAV and valued redemptions, thus depriving Plaintiff and the Class of their rights under the contract.

68. Plaintiff and other members of the Class were injured as a result of the breach and face significant, irreparable harm if Defendants are permitted to continue in their breach of their contractual obligations.

**THIRD CAUSE OF ACTION:
BREACH OF THE DUTY OF CARE**

69. Plaintiff repeats and realleges the allegations contained in the foregoing paragraphs as if fully set forth herein. This count is asserted on behalf of members of the Class under a theory of breach of the duty of care.

70. Defendants owed Plaintiff and the members of the Class a duty of care in their capacity as managers and trustees of Plaintiff's and the Class' investment in the Fund.

71. This duty included the obligation to exercise reasonable care and prudence in the handling of investments made by Plaintiff and the Class.

72. Defendants breached this duty by unreasonably failing to adjust the Fund's NAV downward on September 15, even though by that time defendants knew that the Fund's value had decreased significantly as a result of the Lehman Brothers bankruptcy, given the Fund's substantial investment in Lehman Brothers debt securities.

73. Defendants further breached their duty of care by stating their intention to make full-value payments on certain redemption requests received after the Lehman Brothers bankruptcy announcement while other redemption requests are subject to a seven-day waiting period. Proceeding in this way would violate Defendants' duty of care because it would unreasonably risk depletion of the Fund's assets through inappropriate full-value redemption payments, at the expense of Plaintiff and other investors' later-received redemption requests.

**FOURTH CAUSE OF ACTION:
BREACH OF THE DUTY OF LOYALTY**

74. Plaintiff repeats and realleges the allegations contained in the foregoing paragraphs as if fully set forth herein. This count is asserted on behalf of members of the Class under a theory of breach of the duty of loyalty.

75. Defendants owed Plaintiff and the Class a duty of loyalty in their capacity as manager and trustees of Plaintiff's and the Class' investment in the Fund.

76. This duty included the obligation to treat Plaintiff and the other members of the Class equitably as compared to other Fund investors and not to favor other investors over Plaintiff or other members of the Class.

77. Defendants breached this duty by unreasonably failing to adjust the Fund's NAV downward on September 15 immediately following the Lehman Brothers bankruptcy announcement and by imposing a seven-day waiting period on later-received redemption requests, even though doing so improperly favored the redemption requests of certain investors while unreasonably risking the redemption requests of others.

78. Defendants have further breached their duty of loyalty by stating their intention to make full-value payments on certain redemption requests received after the Lehman Brothers bankruptcy announcement while other redemption requests are subject to a seven-day waiting period. This approach would unreasonably favor certain investors over others and violate defendants' duty of loyalty to treat all investors equitably.

**FIFTH CAUSE OF ACTION:
PROMISSORY ESTOPPEL**

79. Plaintiff repeats and realleges the allegations contained in the foregoing paragraphs as if fully set forth herein. This count is asserted on behalf of members of the Class under a theory of promissory estoppel.

80. Defendants clearly and unambiguously promised in the Prospectus to value Fund reimbursement requests based on the Fund's NAV, as calculated at the close of each trading day.

81. Defendants also promised, in the September 15, 2008 press release, that the NAV of the Primary Fund would not fall below \$1.00.

82. Defendants further promised in the September 15, 2008 Press Release, under a heading entitled "The Reserve's Commitment," to "remain focused on the basic tenets of the money fund: safety of principal protection, liquidity and a reasonable rate of return."

83. Plaintiff and other members of the Class reasonably relied on Defendants promises by purchasing and/or holding shares in the Fund and by electing not to redeem funds prior to the Tuesday Press Release.

84. Plaintiff and the Class were injured as a result of their reliance on Defendants' promises.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment in its favor as follows:

(a) A declaration (1) that Defendants violated their contractual obligations by failing to revise the Fund's NAV in response to the Lehman Brothers bankruptcy announcement in a manner consistent with the requirements of the Primary Fund Prospectus, (2) that redemption payments in excess of \$0.95 would constitute further violations of Defendants' contractual obligations; (3) that Defendants violated their duty of care to Plaintiff and the Class by failing to appropriately revise the Fund's NAV in response to the Lehman Brothers bankruptcy announcement, and that redemption payments in excess of \$0.95 per share would constitute further violations of Defendants' duty of care; and (4) that Defendants violated their duty of loyalty to Plaintiff and the Class by failing to appropriately revise the Primary Fund's NAV in response to the Lehman Brothers bankruptcy announcement, and that redemption payments in excess of \$0.95 per share would constitute further violations of Defendants' duty of loyalty.

(b) A decree of specific performance, requiring Defendants to recalculate the value of all redemption requests received on or after September 15, 2008, in accordance with their contractual obligations under the Fund Prospectus;

(c) An injunction enjoining Defendants from making any redemption payments in excess of \$0.95 per share until such time as Defendants have appropriately recalculated the value of all redemption requests in a manner consistent with their contractual obligations under the Fund Prospectus and their fiduciary duties;

(d) An accounting;

(e) Compensatory damages;

(f) The costs and disbursements of this action; and

(g) Such other and further relief as the Court may deem just and proper.

DEMAND FOR JURY TRIAL

85. Plaintiff respectfully requests a trial by jury on all issues so triable in accordance with Fed. R. Civ. P. 38.

Dated: September 19, 2008

Respectfully submitted,
BERNSTEIN LITOWITZ BERGER &
GROSSMANN LLP

BY: Gerald H. Silk

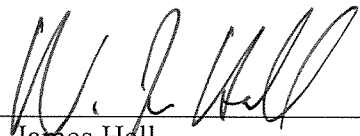
Gerald H. Silk

Gerald H. Silk (GS-4565)
Steven B. Singer (SS-5212)
John C. Browne (JB-0391)
1285 Avenue of the Americas, 38th Floor
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VERIFICATION

I, W. James Hall, General Counsel to Third Avenue Institutional International Value Fund, L.P. and Third Avenue Value Equity Offshore, Ltd. hereby verify that I have reviewed the foregoing Complaint and authorized its filing and that the foregoing is true and correct to the best of my knowledge, information and belief.

Executed on September 19, 20008



W. James Hall
General Counsel to
Third Avenue Institutional
International Value Fund, L.P. and
Third Avenue Value Equity
Offshore, Ltd

EXHIBIT A



The Reserve

A Tradition of Financial InnovationSM

PRIMARY FUND

U.S. GOVERNMENT FUND

U.S. TREASURY FUND

RESERVE LIQUID PERFORMANCE MONEY MARKET FUND

of The Reserve Fund

PROSPECTUS

SEPTEMBER 28, 2007

The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

**Eliminate Mail Clutter
and Save Natural Resources!**

Sign up for Reserve eDelivery at
www.TheR.com/edelivery

Supplement Dated September 17, 2008

PRIMARY FUND
of The Reserve Fund

The following disclosure updates the section entitled "How to Sell Shares" in the Prospectus.

Effective September 17, 2008 and until further notice, proceeds from a redemption request will be transmitted to a shareholder no later than the seventh calendar day after the receipt of the redemption request in good order. Shares do not earn dividends on the day the redemption is processed, regardless of the time the order is received.

The seven-day redemption period will not apply to debit card transactions, Automated Clearinghouse transactions or check transactions written against your account in connection with the Fund provided that any such shareholder transaction or multiple transactions by the same account holder does not exceed \$10,000.

The following disclosure updates the section entitled "How to Buy Shares – Calculation of Net Asset Value" in the Prospectus.

Effective September 17, 2008, the Fund will price its shares once a day at 5:00 p.m. Eastern Time. This will now be the Fund's cut-off time.

* * * * *

This updated disclosure only concerns the Primary Fund. Any contrary disclosure in the Prospectus in connection with the Fund should be ignored.

Shareholders should retain this Supplement for future reference.

Supplement Dated May 21, 2008 to the

PRIMARY FUND, U.S. GOVERNMENT FUND, U.S. TREASURY FUND
of the Reserve Fund

INTERSTATE TAX-EXEMPT FUND, CALIFORNIA MUNICIPAL MONEY-MARKET FUND,
CONNECTICUT MUNICIPAL MONEY-MARKET FUND, FLORIDA MUNICIPAL MONEY-MARKET FUND,
MASSACHUSETTS MUNICIPAL MONEY-MARKET FUND,
MICHIGAN MUNICIPAL MONEY-MARKET FUND, NEW JERSEY MUNICIPAL MONEY-MARKET FUND,
OHIO MUNICIPAL MONEY-MARKET FUND, PENNSYLVANIA MUNICIPAL MONEY-MARKET FUND,
VIRGINIA MUNICIPAL MONEY-MARKET FUND
of the Reserve Municipal Money-Market Trust II

NEW YORK MUNICIPAL MONEY-MARKET FUND
of the Reserve New York Municipal Money-Market Trust

ARIZONA MUNICIPAL MONEY-MARKET FUND, LOUISIANA MONEY-MARKET FUND,
MINNESOTA MONEY-MARKET FUND
of the Reserve Municipal Money-Market Trust

Prospectus Dated September 28, 2007

The first and second paragraphs under the section entitled "How to Sell Shares" in the Prospectus is amended by deleting the paragraphs in their entirety and replacing them with the following:

You may redeem your shares on each day that the Funds' NAV is calculated. Shares will be redeemed at the next NAV determined after a proper redemption request, by telephone or in writing, is received by a Fund or by an authorized financial intermediary. Redemption requests received after the cut-off time for the calculation of a Fund's final NAV on any day will be redeemed at the net asset value calculated on the next business day. Proceeds from a redemption request will be transmitted to a shareholder no later than the next business day after the receipt of the redemption request in good order. Shares do not earn dividends on the day a redemption is processed, regardless of the time the order is received.

Redemption proceeds can be paid by check, ACH or wire transfer. When redeeming recently purchased shares, please be aware that if a Fund has not yet collected payment for the shares you are selling, it will delay sending the proceeds until it has collected payment (usually not more than ten business days). The Funds may suspend the redemption of shares if trading is restricted on the NYSE, if an emergency is declared by the SEC or if otherwise permitted by SEC order.

Supplement Dated March 28, 2008 to the
Primary Fund, U.S. Government Fund, U.S. Treasury Fund and
Reserve Liquid Performance Money Market Fund of The Reserve Fund

Prospectus and Statement of Additional Information Dated September 28, 2007

The following disclosure updates the current Prospectus and Statement of Additional Information for the Reserve Liquid Performance Money Market Fund.

All references to the Reserve Liquid Performance Money Market Fund are deleted. The Reserve Liquid Performance Money Market Fund is now offered by a separate prospectus and Statement of Additional Information, dated March 28, 2008, which may be obtained by writing The Reserve, 1250 Broadway, New York, NY 10001-3701 or calling 888-851-7237.

Supplement Dated March 14, 2008 to the
RESERVE LIQUID PERFORMANCE MONEY MARKET FUND of The Reserve Fund
Prospectus and Statement of Additional Information Dated September 28, 2007

The second sentence under the section entitled, "How to Buy Shares – Calculation of Net Asset Value" in the Prospectus is replaced in its entirety with the following:

The cut-off times are 8:30 a.m., 9:00 a.m., thereafter hourly up to and including 5:00 p.m. Eastern Time for the Primary Fund and U.S. Government Fund and 8:30 a.m., 9:00 a.m., thereafter hourly up to and including 2:00 p.m. Eastern Time for the U.S. Treasury Fund and 8:30 a.m., 9:00 a.m., and thereafter hourly up to and including 5:00 p.m., then 5:30 p.m. Eastern Time for the Reserve Liquid Performance Money Market Fund.

The second paragraph under the section entitled, "Other Service Providers" in the Statement of Additional Information is replaced in its entirety with the following:

Custodian for the Primary Fund U.S. Treasury Fund and U.S. Government Fund. JP Morgan Chase & Co., 4 New York Plaza, New York, NY 10004 is the custodian of the assets of each Fund (the "Custodian") pursuant to a Custodian Agreement with the Trust on behalf of each Fund.

Custodian for Reserve Liquid Performance Money-Market Fund. State Street Bank and Trust Company, 2 Avenue De Lafayette, Boston, MA 02111 is the custodian of the assets of the Fund (the "Custodian") pursuant to a Custodian Agreement with the Trust on behalf of the Fund.

Reserve Liquid Performance Money Market Fund of The Reserve Fund

Supplement dated December 27, 2007 to Prospectus and Statement of Additional Information dated September 28, 2007

The following disclosure updates the current Prospectus and Statement of Additional Information for the Reserve Liquid Performance Money Market Fund of The Reserve Fund.

Liquidity Assets Limited, a company organized under the laws of the Cayman Islands (the "Investor"), owned 99% of Reserve Liquid Performance Money Market Fund (the "Fund") as of December 18, 2007. The Investor is an indirect, wholly-owned subsidiary of The Goldman Sachs Group, Inc. So long as its ownership interest in the Fund remains at more than 50%, the Investor would be able to control the outcome of any matter submitted to shareholders of the Fund on which shareholders vote separately from other investment series of The Reserve Fund. The Investor also would be able to call a special meeting of Fund shareholders and cause a change to the Fund's investment objective or fundamental investment restrictions.

The Audit Committee has selected Ernst & Young LLP ("Ernst & Young"), located at 5 Times Square, New York, New York, to serve as the independent registered public accounting firm for the Fund. Ernst & Young will audit the Fund's financial statements for the fiscal year ended November 30, 2007.

Primary Fund, U.S. Government Fund, U.S. Treasury Fund,
Reserve Liquid Performance Money Market Fund of *The Reserve Fund*

Supplement dated November 30, 2007 to Prospectus dated September 28, 2007

The second sentence of the section entitled "How to Buy Shares - Calculation of Net Asset Value" on page 16 of the Prospectus is replaced in its entirety with the following:

The cut-off times are 8:30 a.m., 9:00 a.m., thereafter hourly up to and including 5:00 p.m. Eastern Time for the Primary Fund, U.S. Government Fund and Reserve Liquid Performance Money Market Fund and 8:30 a.m., 9:00 a.m., thereafter hourly up to and including 2:00 p.m. Eastern Time for the U.S. Treasury Fund.

The last paragraph of the section entitled "How to Buy Shares - Payment for Shares" on page 18 of the Prospectus is replaced in its entirety with the following:

Your order will be priced at the respective Fund's NAV calculated on the day of receipt if we, or an authorized financial intermediary who has a sales agreement with the Funds' distributor, receive your properly completed order before the cut-off time and your payment by federal wire is received on the same day, and you will earn dividends beginning on that day. If you pay for shares by check, your order will be priced at the NAV calculated on the day we, or an authorized financial intermediary who has a sales agreement with the Funds' distributor, receive your properly completed order and your payment by check before the cut-off time. Share purchases by check begin earning dividends when the check is converted into federal funds (normally the business day after the check is received). Checks and wires which do not correctly identify the account to be credited may be returned or may delay the purchase of shares.

The first paragraph of the section entitled "How to Sell Shares" on page 20 of the Prospectus is replaced in its entirety with the following:

You may redeem your shares on any day that the Funds' NAV is calculated. Shares will be redeemed at the next NAV determined after a redemption request, by telephone or in writing, is received by a Fund, or by an authorized financial intermediary. Redemption requests received after the cut-off time for the calculation of the Funds' NAV on any day will be redeemed at the NAV calculated on the next business day. Shares do not earn dividends on the day a redemption is processed, regardless of the time the order is received.

* * * * *

Any contrary disclosure in the Funds' Prospectus should be ignored. Specifically, the seventh sentence under "How to Buy Shares - Calculation of Net Asset Value" on page 16 of the Prospectus and the third sentence in the second paragraph under the section entitled "Dividends & Taxes" on page 27 of the Prospectus do not apply.

Shareholders should retain this Supplement for future reference.

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questions?

Shareholders should direct their inquiries to the firm from which they received this Prospectus or to The Reserve.

The Reserve
1250 Broadway
New York, NY 10001-3701
800-637-1700 (telephone)
212-401-5930 (facsimile)
customerservice@TheR.com
or visit our Web site at www.TheR.com

It Pays to Keep Money in Reserve®

about the funds

Investment Objectives

The investment objective of the Primary Fund, U.S. Government Fund, U.S. Treasury Fund and Reserve Liquid Performance Money Market Fund, (together the “Funds”) is to seek as high a level of current income as is consistent with the preservation of capital and liquidity.

Principal Investment Strategies

The Funds are money market funds, designed as a convenient alternative to the direct investment of temporary cash balances in short-term instruments. The Funds seek to employ idle cash at yields competitive with yields of other comparable short-term investments, and to reduce or eliminate the mechanical problems of direct investment, such as scheduling maturities and reinvestment, evaluating the credit of issuers, investing in round lots, and safeguarding the receipt and delivery of securities. Each Fund invests only in *short-term securities* and seeks to maintain a stable \$1.00 share price.

- ◆ *Short-term securities* – securities with maturities of not more than 762 days (25 months) for securities issued or guaranteed by the U.S. Government, as to principal and interest, and 397 days (13 months) for other securities.

The investment adviser to the Funds monitors a range of economic and financial factors. Based on this analysis, the assets of the Funds are invested in a mix of U.S. dollar-denominated *money market securities* that are intended to provide as high a yield as possible without violating each Fund’s credit quality and maturity policies or jeopardizing the stability of its share price. The average maturity of each Fund’s securities portfolio will not be more than 90 days.

- ◆ *Money market securities* – short-term securities that conform to the duration and credit quality standards of Rule 2a-7 under the Investment Company Act of 1940, as amended.

Primary Fund. The Primary Fund seeks to attain its objective by investing in *U.S. government securities*, corporate debt obligations, asset-backed securities, obligations of domestic and foreign banks (including deposit-type obligations), instruments of comparable quality as determined by the Board of Trustees and instruments fully collateralized by such obligations.

- ◆ *U.S. government securities* – securities issued by the government of the United States, its agencies and instrumentalities.

The Primary Fund will principally invest in debt and deposit-type obligations, such as negotiable certificates of deposit and time deposits, bankers’ acceptances and securities backed by letters of credit, of U.S. banking institutions that are members of the Federal Deposit Insurance Corporation (FDIC), other U.S. banks, foreign banks, foreign branches of U.S. banks and U.S. branches of foreign banks (*Eurodollar obligations and Yankeedollar obligations*) located in major industrialized nations in Western Europe, and other countries such as Australia and Canada, which banks have,

about the funds

at the time of the investment, more than \$25 billion in total assets or the equivalent in other currencies; commercial paper; and asset-backed securities. The Primary Fund may invest more than 25% of its assets in bank obligations.

- ◆ *Eurodollar obligations* – dollar-denominated debt obligations issued by foreign branches or subsidiaries of U.S. banks and by foreign banks.
- ◆ *Yankee dollar obligations* – dollar-denominated debt obligations issued by U.S. branches or subsidiaries of foreign banks.

The Primary Fund may also invest in municipal obligations. Municipal obligations include debt obligations issued to obtain funds for various public purposes, including construction of a wide range of public facilities, refunding of outstanding obligations and obtaining of funds for general operating expenses and loans to other public institutions and facilities. In addition, certain types of industrial development bonds are issued by or on behalf of public authorities to finance various facilities operated for private profit.

U.S. Government Fund. The U.S. Government Fund seeks to attain its objective by investing exclusively in *U.S. government securities* and *repurchase agreements* supported by such investments.

- ◆ *U.S. government securities* – securities issued by the government of the United States, its agencies and instrumentalities.
- ◆ *Repurchase agreements (REPOs)* – Under a repurchase agreement, the seller agrees to repurchase a security at a mutually agreed-upon time and price. This results in a fixed rate of return insulated from market fluctuations during such period.

U.S. Treasury Fund. The U.S. Treasury Fund seeks to attain its objective by investing exclusively in securities backed by the *full faith and credit* of the U.S. government which provide interest income exempt from state and local personal income taxes in most states. Typically, the Fund's assets will be invested in U.S. Treasury securities.

- ◆ *Full faith and credit* – The strongest credit backing offered by the U.S. government and the highest degree of safety with respect to the payment of principal and interest.

Reserve Liquid Performance Money Market Fund. The Reserve Liquid Performance Money Market Fund seeks to attain its objective by investing directly, or indirectly through repurchase agreements, in *U.S. government securities*, commercial paper, asset-backed securities, deposit-type obligations of domestic and foreign banks, instruments of comparable quality as determined by the Board of Trustees of the Fund and instruments fully collateralized by such obligations.

- ◆ *U.S. government securities* – securities issued by the government of the United States, its agencies and instrumentalities.

about the funds

The Reserve Liquid Performance Money Market Fund will principally invest in obligations of U.S. banking institutions that are members of the FDIC and deposit-type obligations, such as negotiable certificates of deposit and time deposits, bankers' acceptances and securities backed by letters of credit of U.S. banks, foreign banks, foreign branches of U.S. banks and U.S. branches of foreign banks (*Eurodollar obligations and Yankee dollar obligations*) located in major industrialized nations in Western Europe and in other countries such as Australia and Canada, which banks have, at the time of the investment, more than \$25 billion in total assets or the equivalent in other currencies. The Reserve Liquid Performance Money Market Fund may invest more than 25% of its assets in bank obligations.

- ◆ *Eurodollar obligations* – dollar-denominated debt obligations issued by foreign branches or subsidiaries of U.S. banks and by foreign banks.
- ◆ *Yankee dollar obligations* – dollar-denominated debt obligations issued by U.S. branches or subsidiaries of foreign banks.

The Reserve Liquid Performance Money Market Fund may also invest in municipal obligations. Municipal obligations include debt obligations issued to obtain funds for various public purposes, including construction of a wide range of public facilities, refunding of outstanding obligations, and obtaining of funds for general operating expenses and loans to other public institutions and facilities. In addition, certain types of industrial development bonds are issued by or on behalf of public authorities to finance various facilities operated for private profit.

The Reserve Liquid Performance Money Market Fund may invest its assets in affiliated and unaffiliated money market funds, subject to applicable Securities and Exchange Commission ("SEC") rules. The portion of the Fund's assets invested in money market funds will vary based on market conditions.

Repurchase Agreements. Each of the Funds may invest in repurchase agreements but will limit them to those banks and securities dealers who are deemed creditworthy pursuant to guidelines adopted by the Trustees. The U.S. Treasury Fund will further limit its investment in repurchase agreements to 5% of its total net assets, except for temporary or emergency purposes, and to those whose underlying obligations are backed by the full faith and credit of the United States. Securities subject to repurchase agreements will be segregated and will be monitored to ensure that the market value of the securities plus any accrued interest will at least equal the repurchase price.

Credit Quality. The Funds may invest in securities rated in one of the two highest short-term ratings, generally by two of the nationally recognized statistical rating organizations. Securities that are not rated may also be purchased by the Primary Fund and Reserve Liquid Performance Money Market Fund, provided the investment adviser determines them to be of comparable quality pursuant to guidelines established by the Trustees.

Maturity. The average maturity of each Fund's securities portfolio will not be more than 90 days. In addition, the Funds will not purchase securities with maturities of

about the funds

more than 762 days (25 months) for securities issued or guaranteed by the U.S. Government, as to principal and interest, or 397 days (13 months) for other securities. The Primary and Reserve Liquid Performance Funds may at times purchase municipal floating rate and variable rate demand obligations, normally having stated maturities in excess of one year, but which permit the holder to demand payment of principal and accrued interest at any time, or at specified intervals not exceeding one year, usually upon not more than seven (7) days' notice. Each Fund will not invest more than 10% of the value of its net assets in floating or variable rate demand bonds for which there is no secondary market if the demand feature on such municipal obligations requires more than seven (7) days' notice.

Disclosure of Portfolio Holdings. A description of each Fund's policies and procedures with respect to the disclosure of portfolio holdings is available in the Statement of Additional Information.

Principal Risks

The Funds are money market mutual funds that seek to maintain a \$1.00 price per share. An investment in a Fund is not insured or guaranteed by the U.S. government, FDIC or any other government agency. Although each Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a Fund. Each Fund has maintained a constant share price since inception, and will strive to continue to do so. The value of each Fund's net assets may change based on changes in market, economic, political and financial developments. The following factors could reduce the income or capital gains received on a Fund's portfolio and therefore the Fund's yield:

- **Interest Rate Risk.** Most of the Funds' performance depends on interest rates, and when interest rates fall, the Funds' yields will typically fall as well. When interest rates go up, the value of an investment in debt securities generally goes down. When interest rates are rising, the value of long-term debt securities generally goes down more than the value of the short term securities in which the Funds invest. In addition, as investments mature, the proceeds may be reinvested at rates that are lower than levels previously earned.
- **Credit Quality Risk.** Overall, a decline in the credit quality of an issuer, or of the provider of a credit support or maturity-shortening structure for a security, can cause the value of a money-market security to decrease.
- **Returns.** Because money market funds may only invest in securities with a lower level of risk, over time they may produce lower returns than investments in stocks or bonds, which entail higher levels of risk.
- **Banking Industry Risks.** The Primary Fund and the Reserve Liquid Performance Money Market Fund are also subject to the risk associated with the banking industry, including interest rate risk, credit risk and regulatory developments risk.

about the funds

- ***Suitability.*** Different investors have different investment goals. Investments in money market funds provide greater security and liquidity than other types of investments but do not usually offer as high a rate of return. The Funds are not intended to be a balanced investment program. They are intended to provide professional management for your cash and a convenient way to gain interest income as part of a diversified portfolio.

The Funds are also subject to the risks associated with the types of securities held:

- ***Asset-Backed Securities.*** Asset-backed securities that are subject to prepayment may lose more value due to changes in interest rates than will other debt securities, especially during periods when those rates are declining.
- ***Repurchase Agreement Risk.*** Repurchase agreements involve the risk that the other party may default on its obligations, which may cause delays, losses and restrictions on a Fund's ability to dispose of the underlying securities.
- ***Foreign Securities.*** Eurodollar and Yankeedollar investments involve certain risks that are different from investments in domestic obligations of U.S. banks. These risks may include unfavorable political and economic developments, possible withholding taxes, higher transaction costs, seizure of foreign deposits, currency controls or other governmental restrictions that might affect payment of principal or interest. In addition, foreign banks are not regulated by U.S. banking authorities and are generally not bound by financial reporting standards comparable to U.S. banks.

The Primary and Reserve Liquid Performance Money Market Funds are also subject to the risks associated with:

- ***Municipal Securities.*** Municipal securities can be significantly affected by economic and political changes, as well as uncertainties in the municipal market related to taxation, legislative changes or the rights of municipal security holders.

The Primary, U.S. Government and Reserve Liquid Performance Money Market Funds are also subject to the risks associated with:

- ***Reverse Repurchase Agreement Risk.*** Reverse repurchase agreements involve the risk that the market value of the securities may be lower than the price at which the Fund has agreed to repurchase them, or that the other party may fail to return the securities at the agreed time. If the Fund is not able to recover the securities and the value of the collateral held by the Fund is less than the value of the securities, the Fund may experience a loss.

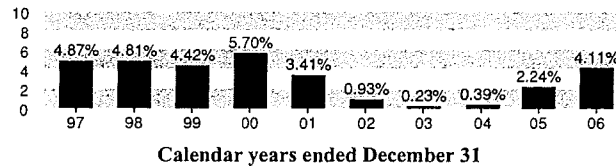
Performance

The bar charts and tables below provide an indication of the risks of investing in the Funds by showing changes in each Fund's performance from year to year. The bar charts show each Fund's annual total returns for Class R shares except for Liquid Performance Money Market Fund, which shows Liquidity Class I, for each of the last

about the funds

10 calendar years or since inception. The tables show performance for each class of shares. After tax returns for other classes may vary. Past performance is not necessarily an indication of how a Fund will perform in the future.

Total Return for Primary Fund - Class R



During the periods shown above, the highest quarterly return was 1.44% for the quarter ended September 30, 2000, and the lowest quarterly return was 0.02% for the quarter ended March 31, 2004. The return for the period from January 1, 2007, to June 30, 2007, was 4.50%.

Average Annual Total Returns as of December 31, 2006	One Year	Five Years (Annualized)	Ten Years or Since Inception (Annualized)
Primary Fund Class R	4.11%	1.57%	3.04%
Primary Fund Investor Class III##	4.16%	n/a	2.12%*
Primary Fund Investor Class II##	4.37%	1.82%	1.92%**
Primary Fund Investor Class I##	4.42%	n/a	2.31%*
Primary Fund Class Treasurer's Trust	4.53%	1.97%	2.07%**
Primary Fund Liquidity Class V##	4.68%	2.13%	2.22%**
Primary Fund Liquidity Class IV##	4.79%	n/a	2.14%^
Primary Fund Liquidity Class III##	4.93%	2.34%	2.44%**
Primary Fund Liquidity Class II ##	4.94%	n/a	3.15%#
Primary Fund Liquidity Class I##	5.12%	2.46%	2.50%†
Primary Fund Class Institutional	5.04%	n/a	2.81%^

* Inception date is August 12, 2003.

** Inception date is May 29, 2001.

† Inception date is July 30, 2001.

^ Inception date is June 25, 2003.

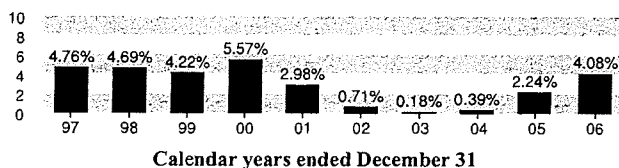
^^ Inception date is July 1, 2002.

Inception date is February 17, 2004.

Effective September 28, 2007, Classes 15, 20, 25, 35 and 45 were renamed Liquidity Class I, Liquidity Class II, Liquidity Class III, Liquidity Class IV and Liquidity Class V, respectively, and Classes 70, 75 and 95 were renamed Investor Class I, Investor Class II and Investor Class III, respectively.

about the funds

Total Return for U.S. Government Fund - Class R



During the periods shown above, the highest quarterly return was 1.41% for the quarter ended September 30, 2000, and the lowest quarterly return was 0.02% for the quarter ended March 31, 2004. The return for the period from January 1, 2007, to June 30, 2007, was 4.45%.

Average Annual Total Returns as of December 31, 2006	One Year	Five Years (Annualized)	Ten Years or Since Inception (Annualized)
U.S. Government Fund Class R	4.08%	1.51%	2.91%
U.S. Government Fund Class Treasurer's Trust	4.50%	1.91%	1.97%*
U.S. Government Fund Liquidity Class V###	4.65%	1.03%	2.11%*
U.S. Government Fund Liquidity Class III###	4.87%	2.27%	1.78%*
U.S. Government Fund Liquidity Class I###	4.94%	n/a	2.54%†
U.S. Government Fund Class Institutional	5.01%	n/a	3.19%##

* Inception date is May 29, 2001.

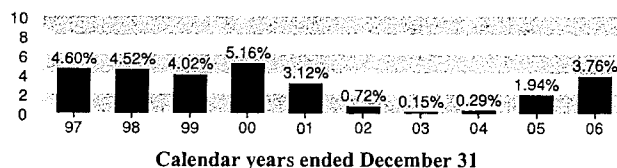
† Inception date is November 18, 2002.

Inception date is February 24, 2004.

Effective September 28, 2007, Classes 15, 25 and 45 were renamed Liquidity Class I, Liquidity Class III and Liquidity Class V, respectively.

about the funds

Total Return for U.S. Treasury Fund - Class R



During the periods shown above, the highest quarterly return was 1.33% for the quarter ended December 31, 2000, and the lowest quarterly return was 0.02% for the quarter ended June 30, 2004. The return for the period from January 1, 2007, to June 30, 2007, was 4.09%.

Average Annual Total Returns as of December 31, 2006	One Year	Five Years (Annualized)	Ten Years or Since Inception (Annualized)
U.S. Treasury Fund Class R	3.76%	1.37%	2.77%
U.S. Treasury Fund Investor Class II###	4.02%	n/a	2.73%††
U.S. Treasury Fund Class Treasurer's Trust	4.17%	1.75%	1.84%*
U.S. Treasury Fund Liquidity Class V###	4.31%	n/a	2.29%†
U.S. Treasury Fund Liquidity Class III###	4.52%	n/a	2.49%†
U.S. Treasury Fund Class Institutional	4.67%	n/a	2.92%##

* Inception date is May 29, 2001.

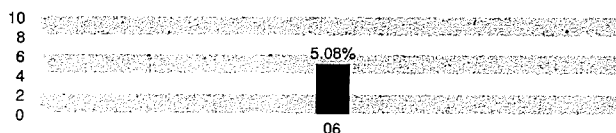
† Inception date is August 7, 2003.

†† Inception date is August 16, 2004.

Inception date is February 24, 2004.

Effective September 28, 2007, Classes 25 and 45 were renamed Liquidity Class III and Liquidity Class V, respectively, and Class 75 was renamed Investor Class II.

Total Return for Reserve Liquid Performance Money Market Fund - Liquidity Class I



During the periods shown above, the highest quarterly return was 1.34% for the quarter ended December 31, 2006, and the lowest quarterly return was 1.13% for the quarter ended March 31, 2006. The return for the period from January 1, 2007, to June 30, 2007, was 5.53%.

about the funds

<u>Average Annual Total Returns as of December 31, 2006</u>	<u>One Year</u>	<u>Five Years (Annualized)</u>	<u>Ten Years or Since Inception (Annualized)</u>
Reserve Liquid Performance Money Market Fund Class Treasurer's Trust	n/a	n/a	5.29%*
Reserve Liquid Performance Money Market Fund Liquidity Class I#	n/a	n/a	5.08%**

* Inception date December 7, 2006.

** Inception date January 11, 2006.

Effective September 28, 2007, Class 15 was renamed Liquidity Class I.

For the Funds' current yields, call toll-free 800-637-1700
or visit our Web site at www.TheR.com.

Fees & Expenses

Each Fund, except the Reserve Liquid Performance Money Market Fund, offers several different classes of shares with different minimum investment requirements and different services. Class Institutional, Liquidity Class I, Liquidity Class II, Liquidity Class III, Liquidity Class IV and Liquidity Class V, which are designed for institutional investors, have higher minimum investments and fewer services than Class Treasurer's Trust, Investor Class I, Investor Class II, Investor Class III and Class R, which are designed for individual investors. Some classes are available only through certain financial intermediaries. The Reserve Liquid Performance Money Market Fund offers Liquidity Class I and Class Treasurer's Trust shares.

You may pay the fees and expenses, described in the table below, if you buy and hold the indicated classes of Fund shares. The Funds are no-load funds, meaning that there are no sales charges (loads) or exchange fees associated with an investment in any Fund.

Primary Fund

Shareholder Fees*

(Fees paid directly from your investment)	<u>Class R</u>	<u>Investor Class III</u>	<u>Investor Class II</u>	<u>Investor Class I</u>	<u>Class Treasurer's Trust</u>	<u>Liquidity Class V</u>
Shareholder Transaction Fees**	None	None	None	None	None	None
Redemption Fees**	None	None	None	None	None	None

Annual Fund Operating Expenses

(Expenses that are deducted from Fund assets)						
Management Fee***	0.81%	0.76%	0.56%	0.51%	0.61%	0.46%
Distribution and Service (12b-1 fee)	0.25%	0.25%	0.25%	0.25%	None	None
Other Expenses†	None	None	None	None	None	None
Total Annual Fund Operating Expenses	<u>1.06%</u>	<u>1.01%</u>	<u>0.81%</u>	<u>0.76%</u>	<u>0.61%</u>	<u>0.46%</u>

about the funds

Primary Fund (continued)

Shareholder Fees*

(Fees paid directly from your investment)	<u>Liquidity Class IV</u>	<u>Liquidity Class III</u>	<u>Liquidity Class II</u>	<u>Liquidity Class I</u>	<u>Class Institutional</u>
Shareholder Transaction Fees**	None	None	None	None	None
Redemption Fees**	None	None	None	None	None

Annual Fund Operating Expenses

(Expenses that are deducted from Fund assets)					
Management Fee***	0.36%	0.26%	0.21%	0.16%	0.13%
Distribution and Service (12b-1 fee)	None	None	None	None	None
Other Expenses†	None	None	None	None	None
Total Annual Fund Operating Expenses	<u>0.36%</u>	<u>0.26%</u>	<u>0.21%</u>	<u>0.16%</u>	<u>0.13%</u>

U.S. Government Fund

Shareholder Fees*

(Fees paid directly from your investment)	<u>Class R</u>	<u>Investor Class III</u>	<u>Investor Class II</u>	<u>Investor Class I</u>	<u>Class Treasurer's Trust</u>	<u>Liquidity Class V</u>
Shareholder Transaction Fees**	None	None	None	None	None	None
Redemption Fees**	None	None	None	None	None	None

Annual Fund Operating Expenses

(Expenses that are deducted from Fund assets)						
Management Fee***	0.81%	0.76%	0.56%	0.51%	0.61%	0.46%
Distribution and Service (12b-1 fee)	0.25%	0.25%	0.25%	0.25%	None	None
Other Expenses†	None	None	None	None	None	None
Total Annual Fund Operating Expenses	<u>1.06%</u>	<u>1.01%</u>	<u>0.81%</u>	<u>0.76%</u>	<u>0.61%</u>	<u>0.46%</u>

Shareholder Fees*

(Fees paid directly from your investment)	<u>Liquidity Class IV</u>	<u>Liquidity Class III</u>	<u>Liquidity Class II</u>	<u>Liquidity Class I</u>	<u>Class Institutional</u>
Shareholder Transaction Fees**	None	None	None	None	None
Redemption Fees**	None	None	None	None	None

Annual Fund Operating Expenses

(Expenses that are deducted from Fund assets)					
Management Fee***	0.36%	0.26%	0.21%	0.16%	0.13%
Distribution and Service (12b-1 fee)	None	None	None	None	None
Other Expenses†	None	None	None	None	None
Total Annual Fund Operating Expenses	<u>0.36%</u>	<u>0.26%</u>	<u>0.21%</u>	<u>0.16%</u>	<u>0.13%</u>

about the funds

U.S. Treasury Fund

Shareholder Fees*

	Class					
(Fees paid directly from your investment)	Class R	Investor Class III	Investor Class II	Investor Class I	Treasurer's Trust	Liquidity Class V
Shareholder Transaction Fees**	None	None	None	None	None	None
Redemption Fees**	None	None	None	None	None	None

Annual Fund Operating Expenses

(Expenses that are deducted from Fund assets)						
Management Fee***	0.81%	0.76%	0.56%	0.51%	0.61%	0.46%
Distribution and Service (12b-1 fee)	0.25%	0.25%	0.25%	0.25%	None	None
Other Expenses†	None	None	None	None	None	None
Total Annual Fund Operating Expenses	<u>1.06%</u>	<u>1.01%</u>	<u>0.81%</u>	<u>0.76%</u>	<u>0.61%</u>	<u>0.46%</u>

Shareholder Fees*

	Liquidity Class IV	Liquidity Class III	Liquidity Class II	Liquidity Class I	Class Institutional
(Fees paid directly from your investment)					
Shareholder Transaction Fees**	None	None	None	None	None
Redemption Fees**	None	None	None	None	None

Annual Fund Operating Expenses

(Expenses that are deducted from Fund assets)					
Management Fee***	0.36%	0.26%	0.21%	0.16%	0.13%
Distribution and Service (12b-1 fee)	None	None	None	None	None
Other Expenses†	None	None	None	None	None
Total Annual Fund Operating Expenses	<u>0.36%</u>	<u>0.26%</u>	<u>0.21%</u>	<u>0.16%</u>	<u>0.13%</u>

Reserve Liquid Performance Money Market Fund

Shareholder Fees*

	Class					
(Fees paid directly from your investment)	Treasurer's Trust	Liquidity Class V	Liquidity Class IV	Liquidity Class III	Liquidity Class II	Liquidity Class I
Shareholder Transaction Fees**	None	None	None	None	None	None
Redemption Fees**	None	None	None	None	None	None

Annual Fund Operating Expenses

(Expenses that are deducted from Fund assets)						
Management Fee***	0.61%	0.46%	0.36%	0.26%	0.21%	0.16%
Distribution and Service (12b-1 fee)	None	None	None	None	None	None
Other Expenses†	None	None	None	None	None	None
Total Annual Fund Operating Expenses††	<u>0.61%</u>	<u>0.46%</u>	<u>0.36%</u>	<u>0.26%</u>	<u>0.21%</u>	<u>0.16%</u>

about the funds

- * The fees and expenses provided herein are based on the “Comprehensive Management Fee” approved by shareholders on June 26, 2007 and effective as of July 16, 2007.
- ** The Funds may charge the following fees to a limited number of shareholders depending on their particular circumstance or special services requested or provided: A monthly “Low Balance Fee” (currently \$15) may be imposed on accounts (other than IRA accounts) with a monthly average account balance of less than \$100,000 for Class Institutional, Liquidity Class I, Liquidity Class II, Liquidity Class III, Liquidity Class IV, Liquidity Class V, Investor Class I and Investor Class II, less than \$10,000 for Investor Class III and less than \$1,000 for Class Treasurer’s Trust and Class R, in which no shareholder activity has occurred for the past 12 consecutive months. A fee of \$2 may be charged on redemption checks for less than \$100 for Class R and Investor Class II shares and a fee of \$100 may be charged on redemption checks for less than \$100,000 for shares of all other classes. Wire redemption fees, “stop payment” fees, returned check fees, overdraft fees or other fees for specific extra services may also be charged. These fees may be changed or discontinued at any time and may be reduced or waived under certain circumstances.
- *** The Funds pay a “Comprehensive Management Fee” that includes the advisory fee, all administrative and customary operating expenses of the Fund, as well as shareholder liaison services (such as responding to inquiries and providing information on investments), record keeping charges, accounting expenses, transfer agent costs, and the expenses of preparing, printing and mailing shareholder reports and prospectuses. The Comprehensive Management Fee does not include Other Expenses (see below). The advisory fee of 0.08% of the “Comprehensive Management Fee” is the same for all share classes.
- † Other Expenses include interest charges, taxes, brokerage fees and commissions, extraordinary legal and accounting fees and other extraordinary expenses including expenses incurred in connection with litigation proceedings, other claims and the legal obligations of the Trust to indemnify its trustees, officers, employees, shareholders, distributors and other agents of the Trust, payments made pursuant to the Trust’s Distribution Plan, the compensation of the chief compliance officer and related expenses, and the fees and expenses of the Trustees who are not “interested persons” of the Adviser as defined in the Investment Company Act of 1940 (“Independent Trustees”), including the fees of the independent counsel of the Independent Trustees. It is estimated that these fees and expenses will be less than 0.005% for each Fund.
- †† The Adviser has agreed to voluntarily waive expenses or reimburse the Reserve Liquid Performance Money Market Fund until January 31, 2008 to the extent that the Total Annual Operating Expenses for Class 15 (currently Liquidity Class I) shares exceed 0.15%, for Class 20 (currently Liquidity Class II) shares exceed 0.20%, for Class 25 (currently Liquidity Class III) shares exceed 0.25%, for Class 35 (currently Liquidity Class IV) shares exceed 0.35%, and for Class 45 (currently Liquidity Class V) shares exceed 0.45%. The Adviser reserves the right to seek recovery, such recovery being subject to the approval of the Board of Trustees, in subsequent periods, of any excess reimbursement or contingent waiver allowed to the Fund for a period of not more than three fiscal years. If the Fund invests in an affiliated money market fund, it will reduce the fees and expenses payable by Fund investors by the amount of fees and expenses charged by that affiliated fund. If the Fund invests in an unaffiliated money market fund, shareholders would bear both their proportionate share of fees and expenses in the Fund (including investment advisory fees) and, indirectly, the fees and expenses of such money market fund (including investment advisory fees of that fund). For the fiscal year ended May 31, 2007, the Adviser waived or reimbursed the Funds 0.14% of its Comprehensive Management Fee for the Class 15 (currently Liquidity Class I) shares and 0.59% for the Class Treasurer’s Trust shares of the Reserve Liquid Performance Money Market Fund.

Example: This example is intended to help you compare the cost of investing in the Funds with the cost of investing in other mutual funds. The example should not be considered indicative of future investment returns and operating expenses, which may be more or less than those shown. This example assumes that you invest \$10,000 in a Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that each Fund’s operating expenses remain the same. The expenses would be the same whether you redeemed your shares at the end of each period or not.

about the funds

Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<i>Primary Fund</i>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Class Institutional	\$13.33	\$41.95	\$73.43	\$166.56
Liquidity Class I	\$16.40	\$51.62	\$90.32	\$204.71
Liquidity Class II	\$21.53	\$67.71	\$118.43	\$268.03
Liquidity Class III	\$26.65	\$83.79	\$146.48	\$331.06
Liquidity Class IV	\$36.90	\$115.91	\$202.40	\$456.21
Liquidity Class V	\$47.15	\$147.95	\$258.09	\$580.16
Class Treasurer's Trust	\$62.53	\$195.90	\$341.20	\$763.86
Investor Class I	\$77.90	\$243.70	\$423.80	\$944.92
Investor Class II	\$83.03	\$259.61	\$451.22	\$1,004.69
Investor Class III	\$103.53	\$323.05	\$560.33	\$1,240.90
Class R	\$108.65	\$338.87	\$587.47	\$1,299.24
<i>U.S. Government Fund</i>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Class Institutional	\$13.33	\$41.95	\$73.43	\$166.56
Liquidity Class I	\$16.40	\$51.62	\$90.32	\$204.71
Liquidity Class II	\$21.53	\$67.71	\$118.43	\$268.03
Liquidity Class III	\$26.65	\$83.79	\$146.48	\$331.06
Liquidity Class IV	\$36.90	\$115.91	\$202.40	\$456.21
Liquidity Class V	\$47.15	\$147.95	\$258.09	\$580.16
Class Treasurer's Trust	\$62.53	\$195.90	\$341.20	\$763.86
Investor Class I	\$77.90	\$243.70	\$423.80	\$944.92
Investor Class II	\$83.03	\$259.61	\$451.22	\$1,004.69
Investor Class III	\$103.53	\$323.05	\$560.33	\$1,240.90
Class R	\$108.65	\$338.87	\$587.47	\$1,299.24
<i>U.S. Treasury Fund</i>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Class Institutional	\$13.33	\$41.95	\$73.43	\$166.56
Liquidity Class I	\$16.40	\$51.62	\$90.32	\$204.71
Liquidity Class II	\$21.53	\$67.71	\$118.43	\$268.03
Liquidity Class III	\$26.65	\$83.79	\$146.48	\$331.06
Liquidity Class IV	\$36.90	\$115.91	\$202.40	\$456.21
Liquidity Class V	\$47.15	\$147.95	\$258.09	\$580.16
Class Treasurer's Trust	\$62.53	\$195.90	\$341.20	\$763.86
Investor Class I	\$77.90	\$243.70	\$423.80	\$944.92
Investor Class II	\$83.03	\$259.61	\$451.22	\$1,004.69
Investor Class III	\$103.53	\$323.05	\$560.33	\$1,240.90
Class R	\$108.65	\$338.87	\$587.47	\$1,299.24

about the funds

Reserve Liquid Performance

Money Market Fund

	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Liquidity Class I	\$16.40	\$51.62	\$90.32	\$204.71
Class Treasurer's Trust	\$62.53	\$195.90	\$341.20	\$763.86

Fund Management

The Investment Adviser. The investment adviser for the Funds is Reserve Management Company, Inc. ("RMCI"), 1250 Broadway, New York, NY 10001-3701. RMCI has provided investment advice to investment companies within the Reserve family of funds since November 15, 1971. As of August 31, 2007, RMCI had over \$47 billion in assets under management. RMCI manages each Fund, subject to policies adopted by the Trustees of the Trust, under the terms of an Investment Management Agreement with the Trust, on behalf of each Fund. The Investment Management Agreement provides that RMCI will furnish continuous investment advisory and other management and administrative services to each Fund. For its services each Fund pays RMCI a comprehensive management fee at an annual rate, based on the average daily net assets of each outstanding class of the Fund's shares, according to the following schedule:

Class										
Class	Investor	Treasurer's	Investor	Investor	Liquidity	Liquidity	Liquidity	Liquidity	Liquidity	Class
<u>R</u>	<u>Class III</u>	<u>Trust</u>	<u>Class II</u>	<u>Class I</u>	<u>Class V</u>	<u>Class IV</u>	<u>Class III</u>	<u>Class II</u>	<u>Class I</u>	<u>Institutional</u>
0.81%	0.76%	0.61%	0.56%	0.51%	0.46%	0.36%	0.26%	0.21%	0.16%	0.13%

A discussion regarding the basis for the approval by the Board of Trustees of the Investment Management Agreement will be available in each Fund's Semi-Annual Report to Shareholders for the period ending November 30, 2007.

The Distributor. The Funds' distributor, Resrv Partners, Inc. ("Resrv"), 1250 Broadway, New York, NY 10001, is an affiliate of RMCI. The Trust, on behalf of the Funds, has adopted a Rule 12b-1 Distribution Plan (the "Plan"), in respect to Class R, Investor Class I, Investor Class II and Investor Class III, which allows each of those classes of each Fund to pay fees for the sale and distribution of its shares. The distribution fee is 0.25% per year of each class's average net assets. Since this fee is paid out of the respective class's assets on an on-going basis, over time this fee will increase the cost of your investment in those classes and may cost you more than paying other types of sales charges.

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How to Buy Shares

Share Classes. Presently, the Funds each offer eleven share classes, except for the Reserve Liquid Performance Money Market Fund which may offer six share classes. Class Institutional, Liquidity Class I, Liquidity Class II, Liquidity Class III, Liquidity Class IV and Liquidity Class V are designed for institutional investors, and Class Treasurer's Trust, Investor Class I, Investor Class II, Investor Class III and Class R are designed for individual investors. Presently, the Reserve Liquid Performance Money Market Fund offers Liquidity Class I and Treasurer's Trust shares. You will need to decide on a share class to purchase before making your initial investment. Some classes are available only through certain financial intermediaries. Not all classes are currently available for each Fund. Please contact The Reserve before you invest.

Account Ownership. You will also need to specify whether you wish to open a corporate account, a joint account or an individual account. When an account is registered jointly in the names of two people, either person is entitled to redeem any or all of the shares in the account. The Account Application provides that each party to a joint account will indemnify the Fund for actions taken on the instructions of the other party. The Funds will not be responsible for actions taken by either party with respect to this type of account.

How Fund Shares Are Priced. Investors pay no sales charges to invest in the Funds. The price you pay for a share of a Fund, and the price you receive upon selling or redeeming a share of a Fund, is the Fund's net asset value (NAV) per share for that class of shares, reduced for any applicable redemption fee. The net asset value per share is calculated by taking the total value of assets of each share class, subtracting its liabilities, and then dividing by the number of shares of that class that are issued and outstanding. Each Fund uses the amortized cost method of valuing its securities, which is a standard calculation that does not take into account unrealized gains or losses.

Calculation of Net Asset Value. Each Fund's NAV is calculated as of its cut-off time for accepting purchase orders and redemption requests (the "cut-off time"). The cut-off time is 5:00 p.m. Eastern Time for the Primary Fund, the U.S. Government Fund and the Reserve Liquid Performance Money Market Fund and 2:00 p.m. Eastern Time for the U.S. Treasury Fund. Generally, the NAV is not calculated and purchase and redemption orders are not accepted on days that the New York Stock Exchange ("NYSE") is closed, except for Good Friday. The NYSE is not open for trading on New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. In addition, the NAV is not calculated and orders are not accepted on Columbus Day and Veterans Day when banks are closed. However, the NAV may be calculated and purchase and redemption orders accepted on any such day if RMCI determines it is in the shareholders' interests to do so. Your order will be priced at the next NAV calculated after your order is received by a Fund or by an authorized financial intermediary who has a sales agreement with Resrv Partners, Inc., the Funds distributor. No purchase of shares will be modified or cancelled after the cut-off time set for calculating the Funds' NAV. The NAV for each class of a Fund's shares is

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computed by dividing the value of the net assets of the class by the number of outstanding shares of such class. The valuation of a Fund's portfolio securities is based upon their amortized cost and does not take into account unrealized gains or losses. This method values a security at its cost and thereafter assuming a constant amortization or accretion to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the security. While this method provides certainty in valuation, there may be some periods during which the value of a security determined by the amortized cost method would be higher or lower than the price the Fund would receive if it sold the security.

The Trustees have established procedures designed to stabilize, to the extent reasonably possible, each Fund's price per share as computed for the purpose of sales and redemptions at \$1.00. RMCI will report to the Trustees any deviations of more than 0.25% from the Funds' net asset value calculated using the amortized cost basis. In the event the Trustees determine that a deviation exists which may result in material dilution or other unfair results to new investors or existing shareholders, the Fund will take such corrective action as it regards as necessary and appropriate, including the sale of portfolio instruments prior to maturity to realize capital gains or losses or to shorten average portfolio maturity; withholding dividends; or establishing a net asset values per share solely by using available market quotations. The Funds cannot guarantee that their respective net asset value will remain at \$1.00 per share, although the NAV of each Fund has done so since inception.

Minimum Investments. Different classes of the Funds are subject to a different minimum initial investment and minimum subsequent investment. The investment minimums may be reduced or waived in certain circumstances and may be changed by a Fund at any time. The same minimums apply to the same share classes of each Fund. The minimum initial investment for each class is:

Share Class	Initial Minimum
Class Institutional	\$35 million
Liquidity Class I	\$20 million
Liquidity Class II	\$15 million
Liquidity Class III	\$10 million
Liquidity Class IV	\$7 million
Liquidity Class V	\$5 million
Class Treasurer's Trust	None*
Investor Class I	\$2 million
Investor Class II	\$1 million
Investor Class III	\$50,000
Class R	None*

* \$1,000 for an IRA

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The minimum subsequent investment for each class is:

Share Class	Subsequent Minimum
Class Institutional	\$2.5 million
Liquidity Class I	\$1 million
Liquidity Class II	\$500,000
Liquidity Class III	None
Liquidity Class IV	None
Liquidity Class V	None
Class Treasurer's Trust	None*
Investor Class I	None
Investor Class II	None
Investor Class III	None
Class R	None*

* \$250 for an IRA

Payment for Shares. All share purchases must be paid for in U.S. dollars. Foreign or travelers checks, cash, money orders, credit cards, credit card convenience checks, "starter" checks, or post-dated checks will not be accepted. In addition, in order to protect the Funds from check fraud, checks payable to third parties will not be accepted. An initial direct purchase must be accompanied by an Account Application. We are required by law to verify your identity. If the required information is not provided on your Account Application or cannot be verified, we may not be able to open an account or may close an account at any time. All payments for share purchases must be made by one of the two methods noted below:

- By check – You may purchase shares with a check drawn on a U.S. bank, payable to The Reserve or payable to and endorsed by the accountholder. You must include your account number (or Taxpayer Identification Number) on your check. A fee (currently \$15) will be imposed if any check does not clear and, in addition, the investor will be liable for any loss the Fund incurs due to the returned check. Checks may be mailed or delivered to The Reserve, 1250 Broadway, 32nd Floor, New York, NY 10001-3701.
- By federal wire – Call The Reserve at 800-637-1700, between 8:30 a.m. and 6:00 p.m. Eastern Time on any business day, or contact the firm from which you received this Prospectus, for specific instructions for purchasing shares by wire transfer.

Checks and wires which do not correctly identify the account to be credited may be returned or may delay the purchase of shares.

Purchasing Shares with Securities. Subject to the approval of the Trust, shares of a Fund may be purchased with liquid securities that are eligible for purchase by the Fund (consistent with the Fund's investment policies and restrictions) and that have a value that is readily ascertainable in accordance with the Trust's valuation policies. These transactions will be effected only if the Fund intends to retain the security in the

your account

Fund as an investment. Assets purchased by a Fund in such a transaction will be valued in the same manner as they would be valued for purposes of pricing the Fund's shares if such assets were included in the Fund's assets at the time of purchase. The Trust reserves the right to amend or terminate this practice at any time.

Share Certificates. Share certificates are not issued by the Funds.

Joint Ownership. When an account is registered in the name of two people, either person is entitled to redeem shares in the account. The Trust assumes no responsibility to either owner for actions taken by the other with respect to an account so registered. The Account Application provides that persons who register their account jointly indemnify and hold the Trust harmless for actions taken by either party.

Investments Through Third Parties. Investments made through a third party such as a broker-dealer, financial institution or other financial intermediary, rather than directly with a Fund, may be subject to different policies and fees than those described here. Banks, brokers, financial advisers and financial supermarkets may charge transaction fees and may set different minimum investments or limitations on buying or selling shares. You should consult a representative of the financial intermediary for more information.

Investments Through the Exchange Privilege. A shareholder may exchange Fund shares for shares of the same class of other Reserve funds, on any day when the Fund's NAV is calculated, by calling 800-637-1700. Any new account established through an exchange will have the same privileges as the original account (provided such privileges are available). Exchange requests must be received by each Fund's cut-off time in order to be effected at each fund's respective NAV's on that day. Exchange requests received after the cut-off time of either fund will be effected on the next day on which the Funds' NAV is calculated.

Exchanges are available by telephone, if you completed the "Redemption Instructions" or "Redemptions and Exchanges by Telephone" information on your Account Application to authorize telephone exchanges. Unless such authorization is withheld, a Fund will honor any telephone requests that the Fund deems to be valid. To reduce the risk of unauthorized or fraudulent instructions, all telephone exchange requests will be recorded. The Funds may also require the use of a password or other form of personal identification. A Fund may refuse a telephone exchange if it reasonably believes that the instructions are not genuine or if there appear to be other irregularities regarding the request. During periods of volatile economic and market conditions, a shareholder may have difficulty making an exchange request by telephone, in which case an exchange request would have to be made in writing.

Exchanges of shares of one fund for shares of another fund is a taxable event and may result in a gain or loss for federal income tax purposes. The exchange privilege may not be available to clients of some intermediaries, and some intermediaries may impose additional or different conditions on exchanges by their clients.

You should carefully read the current Prospectus of the fund into which you would like to exchange. There is currently no fee for exchanges among funds in the Reserve family of funds. The Funds may change or discontinue the exchange privilege at any time.

your account

Reserve Automatic Asset-BUILDER Plan.SM You may make automatic purchases of Class Treasurer's Trust, Investor Class I, Investor Class II, Investor Class III and Class R shares of a Fund by having a fixed dollar amount (\$25 minimum) transferred into your Reserve account on a regular basis from a checking, NOW, or bank money market deposit account or from a U.S. government distribution such as social security, a federal salary, certain veterans' benefits, or other regular payments from the federal government. You may also purchase shares automatically by arranging for all or a specified amount of your salary to be deposited directly into your Reserve account. Please call The Reserve at 800-637-1700 or visit our Web site at www.TheR.com for an application.

Right to Refuse Purchases and Exchanges. The Funds reserve the right to refuse any purchase or exchange request for any reason.

Anti-Money Laundering Requirements. Each Fund is subject to the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001 (the "Patriot Act"). The Patriot Act is intended to prevent the use of the U.S. financial system in furtherance of money laundering, terrorism or other illicit activities. Pursuant to requirements under the Patriot Act, a Fund may request information from shareholders to enable it to form a reasonable belief that it knows the true identity of its shareholders. This information will be used to verify the identity of investors or, in some cases, the status of financial advisers; it will be used only for compliance with the requirements of the Patriot Act. Each Fund reserves the right to reject purchase orders from persons who have not submitted information sufficient to allow the Fund to verify their identity. Each Fund also reserves the right to redeem any amounts in the Fund from persons whose identity it is unable to verify on a timely basis. It is each Fund's policy to cooperate fully with appropriate regulators in any investigations conducted with respect to potential money laundering, terrorism or other illicit activities.

How to Sell Shares

You may redeem your shares on each day that the Funds' NAV is calculated. Shares will be redeemed at the next NAV determined after a proper redemption request, by telephone or in writing, is received by a Fund, or by an authorized financial intermediary. Redemption requests received after the cut-off time for the calculation of a Fund's NAV on any day will be redeemed at the net asset value calculated on the next business day.

Redemption proceeds can be paid by check or wire transfer. When redeeming recently purchased shares, please be aware that if a Fund has not yet collected payment for the shares you are selling, it will delay sending the proceeds until it has collected payment (usually not more than ten business days). The Funds may suspend the redemption of shares for over seven days if trading is restricted on the NYSE, if an emergency is declared by the SEC or if otherwise permitted by SEC order.

A service fee of \$2 may be charged on redemption checks for less than \$100 for Class R and Investor Class II shares and a fee of \$100 may be charged on redemption checks for less than \$100,000 for shares of all other classes. A wire redemption fee

your account

may be charged according to the following schedule. Service fees may be waived under certain conditions.

<u>Class</u>	<u>Fee</u>	<u>On Amounts Less Than</u>
Class Institutional	\$10	\$750,000
Liquidity Class I	\$100	\$500,000
Liquidity Class II	\$100	\$100,000
Liquidity Class III	\$100	\$100,000
Liquidity Class IV	\$100	\$100,000
Liquidity Class V	\$100	\$100,000
Class Treasurer's Trust	\$100	\$100,000
Investor Class I	\$100	\$100,000
Investor Class II	\$10	\$10,000
Investor Class III	\$100	\$100,000
Class R	\$10	\$10,000

The Funds assume no responsibility for delays in the receipt of wired or mailed payments. Each Fund's NAV is not calculated and redemption requests are not accepted on days the Federal Reserve is closed.

Telephone Requests. If you completed the "Redemptions and Exchanges by Telephone" or "Redemption Instructions" information on your Account Application, you may redeem your shares by calling the Funds at 800-637-1700. Telephone redemptions will be sent to the bank or brokerage account designated on the shareholder's Account Application. To change your designated brokerage or bank account, contact the firm through which you purchased your Fund shares, or, if you purchased your shares directly from the Funds, send a written request to the Funds with a medallion signature guarantee. Telephone redemptions may also be sent to your home address provided that the Fund's records do not indicate that it has been changed within thirty (30) days of such redemption request. Each Fund reserves the right to record telephone calls and to refuse a telephone redemption if it reasonably believes that the instructions are not genuine or if there appear to be other irregularities regarding the request. Unless you did not sign up for telephone privileges or a Fund fails to take reasonable measures to verify the request, the Fund will not be liable for any unauthorized telephone redemption, or for any loss, cost or expense for acting upon telephone instructions.

Written Requests. When making a redemption request in writing, please include your account number, the Fund name, either the dollar amount or the number of shares you want to redeem, where the proceeds are to be sent or deposited, whether the redemption is to be made by check or by wire transfer and the name(s) and signature(s) of all accountholders. A medallion signature guarantee will also be required for the types of redemptions listed below. If you are redeeming shares held in

your account

an Individual Retirement Account (IRA), please call the Funds for information regarding the applicable withholding requirements.

Medallion Signature Guarantees. The following types of redemptions require written instructions and a medallion signature guarantee:

- the redemption is for more than \$10,000 and the redemption proceeds are not being sent to the designated bank or brokerage account; or
- the account address has been changed within the past 30 days; or
- the redemption proceeds are to be sent to someone other than the account owner at the address of record.

Medallion signature guarantees are designed to protect both you and the Funds from fraud and reduce the risk of loss. A medallion signature guarantee can be obtained from most banks, credit unions or savings associations, or from broker-dealers, national securities exchanges or clearing agencies deemed eligible by the SEC. Notaries cannot provide medallion signature guarantees. Joint account owners need only provide a medallion signature guarantee for one of the account's registered owners.

Redemptions Through Third Parties. If you purchased or hold your Fund shares through a financial intermediary, you should contact a representative of the financial intermediary for information about selling your shares. Redemptions through a financial intermediary may involve that firm's own redemption minimums, services fees, or other requirements, which may be different from those described here. Under certain circumstances, a Fund may assist a third party in the collection of any such fees.

Redemptions Through the Exchange Privilege. A shareholder may exchange Fund shares for shares of the same class of other Reserve funds, on any day when the Fund's NAV is calculated, by calling 800-637-1700. Any new account established through an exchange will have the same privileges as the original account (provided such privileges are available). Exchange requests must be received by each Fund's cut-off time in order to be effected at the two funds' respective NAV's on that day. Exchange requests received after the cut-off time of either fund will be effected on the next day on which the Funds' NAV is calculated.

Exchanges are available by telephone if you completed the "Redemption Instructions" or "Redemptions and Exchanges by Telephone" information on your Account Application to authorize telephone exchanges. Unless such authorization is withheld, a Fund will honor any telephone requests that the Fund deems to be valid. To reduce the risk of unauthorized or fraudulent instructions, all telephone exchange requests will be recorded. The Funds may also require the use of a password or other form of personal identification. A Fund may refuse a telephone exchange if it reasonably believes that the instructions are not genuine or if there appear to be other irregularities regarding the request. During periods of volatile economic and market conditions, a shareholder may have difficulty making an exchange request by telephone, in which case an exchange request would have to be made in writing.

your account

Exchanges of the shares of one fund for the shares of another fund is a taxable event and may result in a gain or loss for federal income tax purposes. The exchange privilege may not be available to clients of some Intermediaries, and some Intermediaries may impose additional or different conditions on exchanges by their clients.

You should carefully read the Prospectus of the fund into which you would like to exchange. There is currently no fee for exchanges among funds in the Reserve family of funds. The Funds may change or discontinue the exchange privilege at any time.

Redemptions In Kind. If the amount of a redemption request is large enough to affect a Fund's operations (for example, if the request is greater than the lesser of \$250,000 or 1% of the Fund's net asset value), the Fund reserves the right to make payment in portfolio securities rather than in cash ("redemption in kind"), without notice. A shareholder may incur transaction expenses in converting securities received into cash, as well as taxes on any capital gains from the sale as with any redemption.

Minimum Balance Requirement. Because of the expenses of maintaining shareholder accounts, if your account, other than an IRA, has an average monthly account balance of less than \$100,000 for Class Institutional, Liquidity Class I, Liquidity Class II, Liquidity Class III, Liquidity Class IV, Liquidity Class V, Investor Class I and Investor Class II, less than \$10,000 for Investor Class III or less than \$1,000 for Class R and Class Treasurer's Trust, and there has been no shareholder activity in the account for the past 12 months, the Funds may, after 30 days notice, charge a monthly Low Balance Fee (currently \$15) or may redeem your shares and close the account. No account will be charged a fee or closed if the decline in balance is due to a decrease in share price. Some financial intermediaries may establish different minimum balances and fee amounts.

Frequent Purchases and Redemptions

Each Fund is designed as an investment vehicle for short-term cash management and is intended to provide liquidity to shareholders. Purchases or sales of shares of the Funds, and exchanges between funds in the Reserve family of funds, should not be used to exploit short-term swings in the market. Frequent purchases and sales of Fund shares by investors may increase fund expenses and necessitate changes in portfolio management strategies. RMCI does not monitor or limit short-term trading activity in the Fund regardless of frequency. Accordingly, the Board has not approved any policies and procedures designed to limit this activity. However, the Fund reserves the right to and may reject or cancel a purchase or exchange order for any reason, including if, in RMCI's opinion, there appears to be a pattern of excessive trading by an investor in other funds in the Reserve family of funds. The Fund or an authorized financial intermediary will provide notification of such a rejection or cancellation within one business day of the placement of the order. The Funds may not be able to determine that a specific purchase, sale or exchange is short-term or excessive, particularly with respect to orders made through omnibus accounts or retirement plans, and may not be able to reject all such orders, although it is the Funds' intention to do so. Any limitation on a shareholder's ability to exchange shares will not affect such shareholder's ability to redeem his or her shares.

shareholder services

Shareholder Services

The Funds offer a variety of shareholder services to make it more convenient to manage your account and to provide options to expand your investment opportunities. For more information on any of the following services, please call us at 800-637-1700 between 8:30 a.m. and 6:00 p.m. Eastern Time on any business day or visit our Web site at www.TheR.com. The following shareholder services are available to investors who hold their shares directly through The Reserve. These services may not be available through financial intermediaries, who may offer different services. If you are purchasing or if you hold your Fund shares through a financial intermediary, please consult a representative of the intermediary regarding what shareholder services are available.

Reserve Easy Access.SM Easy Access is The Reserve's 24-hour toll-free telephone service that lets shareholders use a touch-tone phone for a variety of options, which include obtaining yields, account balances and check reorders. To use it, call 800-637-1700 and follow the instructions.

Reserve Online Access.SM You may access your account activity for the previous six months, current price information and other information through Online Access at www.TheR.com. You must call The Reserve at 800-637-1700 to activate Online Access.

Shareholder Communications. An account statement is sent to each shareholder at least quarterly. Shareholders are advised to retain all account statements. Shareholders have a duty to examine their account statements and report any discrepancies to the Funds immediately. Failure to do so could result in the shareholder suffering a loss.

Additionally, shareholders receive an Annual Report, containing audited financial statements, and an unaudited Semi-Annual Report. Duplicate copies of shareholder communications, such as the Prospectus, Annual Report, and Semi-Annual Report, will not be sent to related accounts at a common address, unless we receive instructions to the contrary from you. Shareholders who are clients of some Intermediaries will receive an account statement combining transactions in Fund shares with account statements covering other brokerage or mutual fund accounts. If you would like to receive additional copies of these materials, please contact the Funds or the financial intermediary through which you purchased your Fund shares.

Special Services. The Funds may charge shareholder accounts for specific costs incurred in processing certain shareholder requests including, but not limited to, providing copies of shareholder checks and account statements from past periods, stop payment orders and providing special research services.

Stop Payments. Each Fund will honor stop payment requests on unpaid shareholder checks provided that it is advised of the correct check number, payee, check amount and date. Stop payment requests received by a Fund by the cut-off time will be effective the next business day. Oral stop payment requests are effective for fourteen (14) calendar days, at which time they will be cancelled unless confirmed in writing.

shareholder services

Written stop payment requests will remain in effect for one year. A fee will be charged for this service.

The following services are available only to investors in Class Treasurer's Trust, Investor Class I, Investor Class II, Investor Class III, and Class R:

Reserve Automatic Asset-BUILDER Plan.SM The Asset Builder Plan enables you to make automatic share purchases by having a fixed dollar amount (\$25 minimum) transferred into your Reserve account on a regular basis from a checking, NOW, or bank money market deposit account or from a U.S. government distribution such as social security, a federal salary, certain veterans' benefits, or other regular payments from the federal government. You may also purchase shares automatically by arranging for all or a specified amount of your salary to be deposited directly into your Reserve account.

Reserve Automatic Transfer Plan.SM With the Automatic Transfer Plan, you may make free automatic transfers from your Fund account to the eligible checking, NOW or bank money market deposit account that you designate. You may choose to have dividends or distributions transferred to your designated account on a monthly basis or to have a specific dollar amount transferred to your designated account on a monthly, quarterly or annual basis. There is a \$25 minimum for these transfers. You may also have amounts transferred to your designated account from telephone redemptions of \$100 and over. To be eligible for these services, you must have an account with a balance of at least \$5,000, and submit an Automatic Transfer Plan application to the Fund.

Reserve Cash Performance Account.SM The Reserve Cash Performance Account (Reserve CPA[®]) offers a comprehensive package of services, including unlimited, no-minimum checking, and detailed monthly statements. A Visa Gold Check Card (with ATM access) and the Reserve Airline Rewards Program are available for an annual fee. There is no monthly fee, but a \$1,000 minimum is required to open a Reserve CPA account.

Reserve Cash Performance Plus.SM The Reserve CPA "Plus"[®] (CPA+) offers all of the services included with the CPA account, plus a year-end summary statement and a free Visa Platinum Check Card (with ATM access). The Reserve Airline Rewards Program is available for an annual fee. There is a monthly fee of \$5 and a \$5,000 minimum is required to open a CPA+ account.

Reserve eChecking.[®] Reserve eChecking is another way you can make redemptions from your account through check writing privileges. Reserve eChecking is an online bill payment service, which provides the ability to pay bills and more with point-and-click convenience. You will be charged a fee, currently \$4.95 per month, for unlimited transactions.

Individual Retirement Accounts. Investors may use a Fund as an investment for an Individual Retirement Account (IRA). For more information call 800-637-1700 between 8:30 a.m. and 6:00 p.m. Eastern Time on any business day or visit our Web site at www.TheR.com for an IRA Account Application.

shareholder services

Reserve eDelivery.SM The Funds now offer electronic delivery of this Prospectus and other shareholder communications by eDelivery. In order to receive this service, you must register your account and provide us with e-mail information. Please call 800-637-1700 between 8:30 a.m. and 6:00 p.m. Eastern Time on any business day for more information or enroll online at www.TheR.com/eDelivery. You must provide a verifiable e-mail address to enroll. Reserve eDelivery may not be available if you hold your Fund shares through a broker-dealer or other financial intermediary. Contact a representative of the financial intermediary for more information.

Shareholder Service Policies. The Funds' policies concerning the shareholder services are subject to change from time to time. The Funds reserve the right to increase its minimum initial investment amount and to change the minimum account size subject to a Low Balance Fee or involuntary redemption. The Funds further reserve the right to impose service charges for other special services provided to individual shareholders including, but not limited to, fees for returned checks, stop payment orders on checks, and special research services. These fees may be changed or discontinued at any time and may be reduced or waived under certain circumstances.

dividends & taxes

Dividends & Taxes

The following discussion is intended as general information only; it is not a complete analysis of the federal tax implications of an investment in a fund. Because each person's tax situation is unique, you should consult your own tax adviser(s) with regard to the federal, state and local tax consequences of the purchase, ownership, exchange and redemption of Fund shares. If you invest through a tax-deferred account, such as a retirement plan, you generally will not pay tax on dividends and distributions paid by a Fund until they are distributed from the account. These accounts are subject to complex tax rules, and you should consult your tax adviser. The applicable tax laws affecting a Fund and its shareholders are subject to change, including retroactive change.

The Funds declare dividend distributions daily and pay them monthly. The dividend distribution will include the net investment income and could at times include amounts of realized short-term capital gains, if any, on securities holdings and other Fund assets. Shareholders redeeming shares will receive all dividends declared through the date of redemption. The Funds anticipate that most of their dividends will consist of ordinary income, and that capital gains, if any, will be primarily short-term capital gains. Over the course of the year, substantially all of a Fund's net investment income and net short-term capital gains will be declared as dividends. Net realized long-term capital gains, if any, will be distributed by each Fund at least annually.

Distributions of any long-term capital gains earned by the Funds will be taxable to you as long-term capital gains, regardless of how long you have held your Fund shares.

All distributions are paid in the form of additional shares, unless you have requested that they be distributed to you in cash. This request may be made on your initial Account Application or by writing to the Funds. Distributions are taxable to you in the same manner whether you receive them in cash or reinvest them in additional Fund shares.

If you redeem Fund shares or exchange them for shares of another fund, you generally will be treated as having sold your shares and may recognize gain or loss on the transaction. Such gain or loss will generally be capital gain or loss, if any, which will be subject to the rules on long-term capital gains and losses to the extent you have held your shares for more than one year. Because each Fund seeks to maintain a stable \$1.00 NAV, you are not likely to recognize a gain or loss on the redemption or exchange of shares.

Dividends of each Fund will generally be taxed as ordinary income, although a Fund may also distribute amounts taxable as capital gains.

After the end of each year, each Fund will provide you with information about the dividends and distributions you received. If you do not provide a Fund with your correct taxpayer identification number and any required certifications, you may be subject to back-up withholding on your dividends, distributions and redemption proceeds. It is each Fund's intention to distribute substantially all of its net investment income. At times a portion of a Fund's daily dividend distribution may come from net

dividends & taxes

realized short-term capital gains or other Fund assets. If, for any distribution, a Fund's net investment income and net realized short-term capital gain are less than the amount of the distribution, the differences could result in a return of capital to investors for tax purposes. Net realized long-term capital gains, if any, will be distributed by each Fund at least annually.

The above discussion is applicable to shareholders who are U.S. persons. If you are a non-U.S. person, please consult your own tax adviser with respect to the tax consequences to you of an investment in a Fund.

financial highlights

Financial Highlights

The Financial Highlights tables below are intended to help you understand each Fund's financial performance for the periods indicated. Certain information reflects the financial results for a single Fund share. The total returns in the tables represent the rate an investor would have earned or lost on an investment in the respective Fund (assuming reinvestment of all dividends). The information for 2006 and 2007 has been audited by KPMG LLP, whose report, along with each Fund's financial statements, are included in the Funds' Annual Reports, which are available upon request by calling 800-637-1700. For all periods ending on or before May 31, 2005, the information provided was audited by another auditor.

Primary Fund

	Class R				
	Years Ended May 31,				
	2007	2006	2005	2004	2003
Net asset value at beginning of year . . .	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0432	0.0309	0.0100	0.0011	0.0065
Dividends from net investment income	(0.0432)	(0.0309)	(0.0100)	(0.0011)	(0.0065)
Net asset value at end of year	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	4.42%	3.13%	1.01%	0.11%	0.65%
Ratios/Supplemental Data					
Net assets end of year (millions)	\$9,455.2	\$7,464.5	\$5,987.1	\$6,067.2	\$6,231.8
Ratio of expenses to average net assets, before fee waivers	1.00%	1.00%	1.00%	1.00%	1.00%
Ratios of expenses to average net assets, net of fee waivers	1.00%	1.00%	1.00%	0.99%	(b)
Ratio of net investment income to average net assets	4.33%	3.13%	1.00%	0.10%	0.64%

Primary Fund (continued)

	Investor Class III***			
	Years Ended May 31,			August 12,
	2007	2006	2005	2003* to May 31, 2004
Net asset value at beginning of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0438	0.0314	0.0105	0.0009
Dividends from net investment income	(0.0438)	(0.0314)	(0.0105)	(0.0009)
Net asset value at end of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	4.47%	3.19%	1.06%	0.09%
Ratios/Supplemental Data				
Net assets end of period (millions)	\$ 11.4	\$ 11.2	\$ 13.1	\$ 16.0
Ratio of expenses to average net assets, before fee waivers	0.95%	0.95%	0.95%	0.95%(a)
Ratios of expenses to average net assets, net of fee waivers	0.95%	0.95%	(b)	(b)
Ratio of net investment income to average net assets	4.37%	3.12%	1.00%	0.14%(a)

	Investor Class II***				
	Years Ended May 31,				
	2007	2006	2005	2004	2003
Net asset value at beginning of year ...	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0458	0.0334	0.0125	0.0035	0.0090
Dividends from net investment income	(0.0458)	(0.0334)	(0.0125)	(0.0035)	(0.0090)
Net asset value at end of year	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	4.68%	3.39%	1.27%	0.35%	0.90%
Ratios/Supplemental Data					
Net assets end of year (millions)	\$ 88.7	\$ 75.2	\$ 55.7	\$ 6.8	\$ 14.1
Ratio of expenses to average net assets, before fee waivers	0.75%	0.75%	0.75%	0.75%	0.75%
Ratios of expenses to average net assets, net of fee waivers	0.75%	0.75%	(b)	(b)	(b)
Ratio of net investment income to average net assets	4.58%	3.36%	1.33%	0.37%	0.95%

Primary Fund (continued)

	Investor Class I***			
	Years Ended May 31,			August 12, 2003* to May 31, 2004
	2007	2006	2005	
Net asset value at beginning of period	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Net investment income	0.0463	0.0339	0.0130	0.0029
Dividends from net investment income	<u>(0.0463)</u>	<u>(0.0339)</u>	<u>(0.0130)</u>	<u>(0.0029)</u>
Net asset value at end of period	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Total Return	4.73%	3.45%	1.32%	0.29%
Ratios/Supplemental Data				
Net assets end of period (millions)	\$ 28.4	\$ 31.6	\$ 19.4	\$ 26.6
Ratio of expenses to average net assets, before fee waivers	0.70%	0.70%	0.70%	0.70%(a)
Ratios of expenses to average net assets, net of fee waivers	0.70%	0.70%	(b)	(b)
Ratio of net investment income to average net assets	4.62%	3.51%	1.26%	0.39%(a)

	Class Treasurer's Trust				
	Years Ended May 31,				
	2007	2006	2005	2004	2003
Net asset value at beginning of year . . .	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Net investment income	0.0473	0.0349	0.0140	0.0050	0.0105
Dividends from net investment income	<u>(0.0473)</u>	<u>(0.0349)</u>	<u>(0.0140)</u>	<u>(0.0050)</u>	<u>(0.0105)</u>
Net asset value at end of year	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Total Return	4.84%	3.55%	1.42%	0.50%	1.06%
Ratios/Supplemental Data					
Net assets end of year (millions)	\$1,238.1	\$1,004.8	\$ 609.7	\$ 443.7	\$ 497.4
Ratio of expenses to average net assets, before fee waivers	0.60%	0.60%	0.60%	0.60%	0.60%
Ratios of expenses to average net assets, net of fee waivers	0.60%	0.60%	(b)	(b)	(b)
Ratio of net investment income to average net assets	4.73%	3.57%	1.49%	0.50%	1.04%

Primary Fund (continued)

	Liquidity Class V***				
	Years Ended May 31,				
	2007	2006	2005	2004	2003
Net asset value at beginning of year . . .	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0488	0.0364	0.0155	0.0065	0.0120
Dividends from net investment income	(0.0488)	(0.0364)	(0.0155)	(0.0065)	(0.0120)
Net asset value at end of year	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	5.00%	3.70%	1.57%	0.65%	1.21%

Ratios/Supplemental Data

Net assets end of year (millions)	\$ 112.0	\$ 56.8	\$ 17.6	\$ 16.0	\$ 13.5
Ratio of expenses to average net assets, before fee waivers	0.45%	0.45%	0.45%	0.45%	0.45%
Ratios of expenses to average net assets, net of fee waivers	0.45%	0.45%	(b)	(b)	(b)
Ratio of net investment income to average net assets	4.88%	3.88%	1.58%	0.65%	1.23%

	Liquidity Class IV***				
	Years Ended May 31,				July 1, 2002* to May 31, 2003
	2007	2006	2005	2004	2003
Net asset value at beginning of period . .	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0498	0.0374	0.0165	0.0050	0.0075
Dividends from net investment income	(0.0498)	(0.0374)	(0.0165)	(0.0050)	(0.0075)
Net asset value at end of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	5.10%	3.81%	1.68%	0.51%	0.76%
Ratios/Supplemental Data					
Net assets end of period (millions)	\$ 6.6	\$ 9.1	\$ 3.7	\$ 5.1	\$ 0.0^
Ratio of expenses to average net assets, before fee waivers	0.35%	0.35%	0.35%	0.35%(a)+	0.35%(a)+
Ratios of expenses to average net assets, net of fee waivers	0.35%	0.35%	(b)	(b)	(b)
Ratio of net investment income to average net assets	4.97%	3.88%	1.49%	0.74%(a)+	1.45%(a)+

Primary Fund (continued)

	Liquidity Class III***				
	Years Ended May 31,				
	2007	2006	2005	2004	2003
Net asset value at beginning of year . . .	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Net investment income	0.0508	0.0384	0.0175	0.0085	0.0140
Dividends from net investment income	<u>0.0508</u>	<u>(0.0384)</u>	<u>(0.0175)</u>	<u>(0.0085)</u>	<u>(0.0140)</u>
Net asset value at end of year	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Total Return	5.21%	3.91%	1.78%	0.86%	1.42%

Ratios/Supplemental Data

Net assets end of year (millions)	\$ 589.9	\$ 542.5	\$ 552.3	\$ 1,348.4	\$ 1,524.7
Ratio of expenses to average net assets, before fee waivers	0.25%	0.25%	0.25%	0.25%	0.25%
Ratios of expenses to average net assets, net of fee waivers	0.25%	0.25%	(b)	(b)	(b)
Ratio of net investment income to average net assets	5.07%	3.84%	1.65%	0.84%	1.41%

	Liquidity Class II***			
	Years Ended May 31,			February 17, 2004* to May 31, 2004
	2007	2006	2005	2004
Net asset value at beginning of period	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Net investment income	0.0513	0.0389	0.0180	0.0025
Dividends from net investment income	<u>(0.0513)</u>	<u>(0.0389)</u>	<u>(0.0180)</u>	<u>(0.0025)</u>
Net asset value at end of period	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Total Return	5.26%	3.96%	1.83%	0.26%

Ratios/Supplemental Data

Net assets end of period (millions)	\$ 303.1	\$ 233.5	\$ 266.5	\$ 0.0^
Ratio of expenses to average net assets, before fee waivers	0.20%	0.20%	0.20%	0.20%(a)
Ratios of expenses to average net assets, net of fee waivers	0.20%	0.20%	(b)	(b)
Ratio of net investment income to average net assets	5.12%	3.93%	1.86%	0.89%(a)

Primary Fund (continued)

	Liquidity Class I***				
	Years Ended May 31,				
	2007	2006	2005	2004	2003
Net asset value at beginning of year . . .	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0519	0.0394	0.0185	0.0095	0.0150
Dividends from net investment income	(0.0519)	(0.0394)	(0.0185)	(0.0095)	(0.0150)
Net asset value at end of year	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	5.31%	4.02%	1.88%	0.96%	1.52%
Ratios/Supplemental Data					
Net assets end of year (millions)	\$ 717.7	\$ 173.5	\$ 61.9	\$ 136.7	\$ 692.0
Ratio of expenses to average net assets, before fee waivers	0.15%	0.15%	0.15%	0.15%	0.15%
Ratios of expenses to average net assets, net of fee waivers	0.13%	0.15%	(b)	(b)	(b)
Ratio of net investment income to average net assets	5.21%	4.07%	1.57%	0.95%	1.30%

	Class Institutional**			
	Year Ended May 31,			June 25, 2003* to May 31, 2004
	2007	2006	2005	2004
Net asset value at beginning of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0523	0.0397	0.0188	0.0090
Dividends from net investment income	(0.0523)	(0.0397)	(0.0188)	(0.0090)
Net asset value at end of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	5.37%	4.05%	1.92%	0.91%
Ratios/Supplemental Data				
Net assets end of period (millions)	\$15,316.6	\$ 370.8	\$ 190.1	\$ 328.1
Ratio of expenses to average net assets, before fee waivers	0.12%	0.12%	0.12%	0.12%(a)
Ratios of expenses to average net assets, net of fee waivers	0.09%	0.12%	(b)	(b)
Ratio of net investment income to average net assets	5.26%	4.06%	1.81%	0.97%(a)

Primary Fund (continued)

Class 8** (Unaudited)					
	Period from June 1, 2006 to August 31, 2006	Years Ended May 31,			
		2006	2005	2004	2003
Net asset value at beginning of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0130	0.0401	0.0193	0.0102	0.0157
Dividends from net investment income	(0.0130)	(0.0401)	(0.0193)	(0.0102)	(0.0157)
Net asset value at end of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	1.31%	4.09%	1.97%	1.03%	1.59%
Ratios/Supplemental Data					
Net assets end of period (millions)	\$ —	\$ 10,184.3	\$ 4,427.1	\$ 11,262.8	\$ 5,304.3
Ratio of expenses to average net assets, before fee waivers	0.08%(a)	0.08%	0.08%	0.08%	0.08%
Ratio of expenses to average net assets, net of fee waivers	0.08%(a)	0.08%	0.07%	0.08%	0.08%
Ratio of net investment income to average net assets	5.18%(a)	4.08%	1.72%	1.02%	1.45%

U.S. Government Fund

Class R					
	Years Ended May 31,				
	2007	2006	2005	2004	2003
Net asset value at beginning of year	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0428	0.0307	0.0102	0.0010	0.0050
Dividends from net investment income	(0.0428)	(0.0307)	(0.0102)	(0.0010)	(0.0050)
Net asset value at end of year	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	4.37%	3.12%	1.03%	0.10%	0.50%
Ratios/Supplemental Data					
Net assets end of year (millions)	\$ 4,481.3	\$ 1,996.1	\$ 940.0	\$ 853.5	\$ 846.7
Ratio of expenses to average net assets, before fee waivers	1.00%	1.00%	1.00%	1.00%	1.00%
Ratio of expenses to average net assets, net of fee waivers	1.00%	1.00%	1.00%	0.98%	(b)
Ratio of net investment income to average net assets	4.28%	3.21%	1.04%	0.10%	0.50%

U.S. Government Fund (continued)

	Class Treasurer's Trust				
	Years Ended May 31,				
	2007	2006	2005	2004	2003
Net asset value at beginning of year . . .	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0468	0.0347	0.0142	0.0049	0.0090
Dividends from net investment income	(0.0468)	(0.0347)	(0.0142)	(0.0049)	(0.0090)
Net asset value at end of year	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	4.79%	3.53%	1.44%	0.49%	0.91%

Ratios/Supplemental Data

Net assets end of year (millions)	\$ 179.2	\$ 100.3	\$ 81.2	\$ 19.3	\$ 6.5
Ratio of expenses to average net assets, before fee waivers	0.60%	0.60%	0.60%	0.60%	0.60%
Ratio of expenses to average net assets, net of fee waivers	0.60%	0.60%	(b)	(b)	(b)
Ratio of net investment income to average net assets	4.68%	3.52%	1.64%	0.48%	0.83%

	Liquidity Class V***				
	Years Ended May 31,				
	2007	2006	2005	2004	2003
Net asset value at beginning of year . . .	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0483	0.0362	0.0157	0.0064	0.0105
Dividends from net investment income	(0.0483)	(0.0362)	(0.0157)	(0.0064)	(0.0105)
Net asset value at end of year	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	4.94%	3.69%	1.59%	0.64%	1.06%

Ratios/Supplemental Data

Net assets end of year (millions)	\$ 31.4	\$ 16.3	\$ 9.2	\$ 0.0^	\$ 5.8
Ratio of expenses to average net assets, before fee waivers	0.45%	0.45%	0.45%	0.44%	0.45%
Ratio of expenses to average net assets, net of fee waivers	0.45%	0.45%	(b)	(b)	(b)
Ratio of net investment income to average net assets	4.83%	3.80%	2.36%	0.66%	0.86%

U.S. Government Fund (continued)

	Liquidity Class III***				
	Years Ended May 31,				
	2007	2006	2005	2004	2003
Net asset value at beginning of year . .	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0503	0.0382	0.0177	0.0084	0.0125
Dividends from net investment income	(0.0503)	(0.0382)	(0.0177)	(0.0084)	(0.0125)
Net asset value at end of year	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	5.15%	3.89%	1.80%	0.84%	1.27%

Ratios/Supplemental Data

Net assets end of year (millions)	\$ 24.4	\$ 23.4	\$ 4.6	\$ 66.0	\$ 50.1
Ratio of expenses to average net assets, before fee waivers	0.25%	0.25%	0.25%	0.25%	0.25%
Ratio of expenses to average net assets net of fee waivers	0.25%	0.25%	(b)	(b)	(b)
Ratio of net investment income to average net assets	5.03%	3.96%	1.44%	0.83%	1.28%

	Liquidity Class I***				November 18, 2002* to May 31, 2003
	Years Ended May 31,				
	2007	2006	2005	2004	
Net asset value at beginning of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0514	0.0392	0.0187	0.0094	0.0061
Dividends from net investment income	(0.0514)	(0.0392)	(0.0187)	(0.0094)	(0.0061)
Net asset value at end of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	5.27%	4.00%	1.90%	0.94%	0.61%

Ratios/Supplemental Data

Net assets end of period (millions)	\$ 81.0	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
Ratio of expenses to average net assets, before fee waivers	0.15%	0.15%	0.15%	0.15%	0.15%(a)
Ratio of expenses to average net assets net of fee waivers	0.14%	0.15%	(b)	(b)	(b)
Ratio of net investment income to average net assets	5.18%	4.19%	1.87%	0.93%	1.17%(a)

U.S. Government Fund (continued)

	Class Institutional**			
	Year Ended May 31,			February 24,
	2007	2006	2005	2004* to May 31, 2004
Net asset value at beginning of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0517	0.0395	0.0190	0.0025
Dividends from net investment income	(0.0517)	(0.0395)	(0.0190)	(0.0025)
Net asset value at end of period	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Total Return	5.30%	4.03%	1.94%	0.25%
Ratios/Supplemental Data				
Net assets end of period (millions)	\$ 1,158.4	\$ 128.5	\$ 45.2	\$ 1.0
Ratio of expenses to average net assets, before fee waivers	0.12%	0.12%	0.12%	0.13%(a)
Ratio of expenses to average net assets, net of fee waivers	0.11%	0.12%	(b)	(b)
Ratio of net investment income to average net assets	5.18%	3.96%	2.12%	0.96%(a)

	Class 8** (Unaudited)				
	Period From June 1, 2006 to August 31, 2006	Years Ended May 31,			June 7, 2002* to May 31, 2003
	2006	2006	2005	2004	2003
Net asset value at beginning of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0129	0.0399	0.0194	0.0101	0.0142
Dividends from net investment income	(0.0129)	(0.0399)	(0.0194)	(0.0101)	(0.0142)
Net asset value at end of period ...	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Total Return	1.30%	4.07%	1.98%	1.01%	1.44%
Ratios/Supplemental Data					
Net assets end of period (millions) .	\$ 0.0	\$ 1,762.5	\$ 439.1	\$ 283.5	\$ 49.1
Ratio of expenses to average net assets, before fee waivers ...	0.08%(a)	0.08%	0.08%	0.08%	0.08%(a)
Ratio of expenses to average net assets, net of fee waivers	0.08%(a)	0.07%	(b)	(b)	(b)
Ratio of net investment income to average net assets	5.13%(a)	4.27%	1.98%	1.00%	1.20%(a)

U.S. Treasury Fund

	Class R				
	Years Ended May 31,				
	2007	2006	2005	2004	2003
Net asset value at beginning of year . .	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Net investment income	0.0395	0.0273	0.0083	0.0009	0.0047
Dividends from net investment income	<u>(0.0395)</u>	<u>(0.0273)</u>	<u>(0.0083)</u>	<u>(0.0009)</u>	<u>(0.0047)</u>
Net asset value at end of year	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Total Return	4.03%	2.77%	0.83%	0.09%	0.47%

Ratios/Supplemental Data

Net assets end of year (millions)	\$ 503.0	\$ 429.4	\$ 313.9	\$ 377.5	\$ 356.2
Ratio of expenses to average net assets, before fee waivers	1.00%	1.00%	1.00%	1.00%	1.00%
Ratios of expenses to average net assets net of fee waivers	1.00%	0.99%	0.99%	0.89%	1.00%
Ratio of net investment income to average net assets	3.95%	2.77%	0.80%	0.09%	0.47%

	Class Treasurer's Trust				
	Years Ended May 31,				
	2007	2006	2005	2004	2003
Net asset value at beginning of year . .	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Net investment income	0.0435	0.0313	0.0121	0.0039	0.0086
Dividends from net investment income	<u>(0.0435)</u>	<u>(0.0313)</u>	<u>(0.0121)</u>	<u>(0.0039)</u>	<u>(0.0086)</u>
Net asset value at end of year	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Total Return	4.44%	3.18%	1.23%	0.39%	0.87%

Ratios/Supplemental Data

Net assets end of year (millions)	\$ 38.4	\$ 69.3	\$ 94.0	\$ 251.4	\$ 281.9
Ratio of expenses to average net assets, before fee waivers	0.60%	0.60%	0.60%	0.60%	0.60%
Ratios of expenses to average net assets net of fee waivers	0.60%	0.59%	(b)	(b)	(b)
Ratio of net investment income to average net assets	4.34%	3.09%	1.17%	0.39%	0.85%

U.S. Treasury Fund (continued)

	Investor Class II***		
	Year Ended May 31,		August 16,
	2007	2006	2004* to May 31, 2005
Net asset value at beginning of period	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Net investment income	0.0420	0.0298	0.0100
Dividends from net investment income	(0.0420)	(0.0298)	(0.0100)
Net asset value at end of period	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Total Return	4.29%	3.03%	1.01%
<u>Ratios/Supplemental Data</u>			
Net assets end of period (millions)	\$ 8.1	\$ 13.2	\$ 1.4
Ratio of expenses to average net assets, before fee waivers	0.75%	0.75%	0.76%(a)
Ratios of expenses to average net assets net of fee waivers	0.75%	0.75%	(b)
Ratio of net investment income to average net assets	4.20%	3.31%	1.39%(a)

	Liquidity Class V***		
	Year Ended May 31,		
	2007	2006	2005
Net asset value at beginning of period ..	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Net investment income	0.0450	0.0328	0.0137
Dividends from net investment income	(0.0450)	(0.0328)	(0.0137)
Net asset value at end of period	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Total Return	4.60%	3.34%	1.38%
<u>Ratios/Supplemental Data</u>			
Net assets end of period (millions)	\$ 29.5	\$ 3.5	\$ 0.0^
Ratio of expenses to average net assets, before fee waivers	0.45%	0.45%	0.45%
Ratios of expenses to average net assets net of fee waivers	0.45%	0.45%	(b)
Ratio of net investment income to average net assets	4.55%	3.48%	1.38%

U.S. Treasury Fund (continued)

	Liquidity Class I***
	Period From December 27, 2006* to May 31, 2007
Net asset value at beginning of period	<u>\$ 1.0000</u>
Net investment income	0.0207
Dividends from net investment income	<u>(0.0207)</u>
Net asset value at end of period	<u>\$ 1.0000</u>
Total Return	2.09%
Ratios/Supplemental Data	
Net assets end of period (millions)	\$ 0.0^
Ratio of expenses to average net assets, before fee waivers	0.15%(a)
Ratios of expenses to average net assets net of fee waivers	0.15%(a)
Ratio of net investment income to average net assets	4.84%

	Liquidity Class III***			August 7, 2003* to May 31, 2004
	Year Ended May 31,			
	2007	2006	2005	
Net asset value at beginning of period ..	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Net investment income	0.0469	0.0348	0.0156	0.0058
Dividends from net investment income	<u>(0.0469)</u>	<u>(0.0348)</u>	<u>(0.0156)</u>	<u>(0.0058)</u>
Net asset value at end of period	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Total Return	4.80%	3.54%	1.59%	0.58%
Ratios/Supplemental Data				
Net assets end of period (millions)	\$ 0.0^	\$ 13.1	\$ 0.0^	\$ 0.0^
Ratio of expenses to average net assets, before fee waivers	0.25%	0.25%	0.25%	0.26%(a)
Ratios of expenses to average net assets net of fee waivers	0.25%	0.25%	(b)	(b)
Ratio of net investment income to average net assets	4.50%	4.24%	1.66%	0.71%(a)

U.S. Treasury Fund (continued)

	Class Institutional**			
	Year Ended May 31,			February 24,
	2007	2006	2005	2004* to May 31, 2004
Net asset value at beginning of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0483	0.0361	0.0170	0.0022
Dividends from net investment income	(0.0483)	(0.0361)	(0.0170)	(0.0022)
Net asset value at end of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	4.95%	3.68%	1.72%	0.22%
Ratios/Supplemental Data				
Net assets end of period (millions)	\$ 10.2	\$ 0.1	\$ 0.0^	\$ 0.0^
Ratio of expenses to average net assets, before fee waivers	0.12%	0.12%	0.12%	0.12%(a)
Ratios of expenses to average net assets net of fee waivers	0.11%	0.11%	(b)	(b)
Ratio of net investment income to average net assets	4.86%	6.46%	1.78%	0.83%(a)

	Class 8** (Unaudited)				
	Period From June 1, 2006 to August 31, 2006	Years Ended May 31,			June 7, 2002* to May 31, 2003
	2006	2006	2005	2004	2003
Net asset value at beginning of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Net investment income	0.0120	0.0366	0.0173	0.0091	0.0143
Dividends from net investment income	(0.0120)	(0.0366)	(0.0173)	(0.0091)	(0.0143)
Net asset value at end of period	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total Return	1.20%	3.73%	1.77%	0.91%	1.44%
Ratios/Supplemental Data					
Net assets end of period (millions)	\$ 0.0	\$ 23.1	\$ 45.3	\$ 45.9	\$ 10.4
Ratio of expenses to average net assets, before fee waivers	0.08%(a)	0.08%	0.08%	0.08%	0.08%(a)
Ratios of expenses to average net assets net of fee waivers	0.08%(a)	0.07%	(b)	(b)	(b)
Ratio of net investment income to average net assets	4.77%(a)	3.58%	1.69%	0.90%	1.12%(a)

Reserve Liquid Performance Money Market Fund

	Liquidity Class I***	
	Year Ended May 31, 2007	Period from January 11, 2006* to May 31, 2006
Net asset value at beginning of period	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Net investment income	0.0525	0.0180
Dividends from net investment income	<u>(0.0525)</u>	<u>(0.0180)</u>
Net asset value at end of period	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
Total Return	5.39%	1.82%(c)
Ratios/Supplemental Data		
Net assets end of period (millions)	\$ 39.0	\$ 0.1
Ratio of expenses to average net assets, before fee waivers ..	0.15%	0.15%(a)
Ratio of expenses to average net assets, net of fee waivers ...	0.01%	0.00%(a)
Ratio of net investment income to average net assets	5.32%	4.57%(a)

	Class Treasurer's Trust	
	Period from December 7, 2006* to May 31, 2007	
Net asset value at beginning of period	<u>\$ 1.0000</u>	
Net investment income	0.0256	
Dividends from net investment income	<u>(0.0256)</u>	
Net asset value at end of period	<u>\$ 1.0000</u>	
Total Return	2.59%(c)	
Ratios/Supplemental Data		
Net assets end of period (millions)	\$ 5.1	
Ratio of expenses to average net assets, before fee waivers	0.60%(a)	
Ratio of expenses to average net assets, net of fee waivers	0.01%(a)	
Ratio of net investment income to average net assets	5.34%(a)	

* Inception of Class operations.

** Effective September 1, 2006, Class 12 was renamed Class Institutional, and Class 8 was no longer offered.

*** Effective September 28, 2007, Classes 15, 20, 25, 35 and 45 were renamed Liquidity Class I, Liquidity Class II, Liquidity Class III, Liquidity Class IV and Liquidity Class V, respectively, and Classes 70, 75 and 95 were renamed Investor Class I, Investor Class II and Investor Class III, respectively.

+ The share class did not have assets as shown outstanding during the entire period indicated. Therefore, ratios were annualized based on the period that the class held assets and therefore was allocated income and expenses.

^ Amount is less than \$50,000.

(a) Annualized.

(b) As there were no fee waivers during the period, this is not applicable.

(c) Not Annualized.

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- Never provide confidential information to unknown callers.
- Protect your account records including all statements and receipts.
- Use a secure browser when doing business on the Internet, and exit online applications when finished.

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- Contact The Reserve customer service immediately.
- Report the theft to each of these credit reporting agencies: Experian - 888-397-3742; Equifax - 800-525-6285 and TransUnion - 800-680-7289.
- File a police report in your local jurisdiction; retain the report number and name of the officer with whom you filed the report.
- Contact the Federal Trade Commission's Identity Theft Hotline at 877-IDTHEFT to file a complaint or go to www.consumer.gov/idtheft.

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This Prospectus contains the information about each Fund which a prospective investor should know before investing.

The Statement of Additional Information ("SAI") contains additional and more detailed information about the Funds, and is incorporated by reference into this Prospectus. Each Fund's Annual and Semi-Annual Reports list the Fund's holdings, describe Fund performance, and include other information about the Fund's investments. You may obtain these documents without charge, make inquiries or request other information about the Funds by calling The Reserve toll free at 800-637-1700. You may also download these documents and the SAI from the Funds' Web site at www.TheR.com, or by writing to The Reserve, 1250 Broadway, New York, NY 10001-3701.

Information about each Fund (including the SAI) can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. For information on the operation of the public reference room, call 1-202-551-8090. Reports and other information about the Funds are also available on the SEC's Internet site at <http://www.sec.gov>. Copies of this information may be obtained, after paying a duplicating fee, at the following E-mail address: publicinfo@sec.gov, or by writing the Public Reference Section of the SEC, Washington, D.C. 20549-0102.

Investors are advised to read and retain this Prospectus for future reference.



The Reserve
A Tradition of Financial Innovation™

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General Information and 24-Hour Yield and Balance Information
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RF/PGT 09/07

Investment Company File Number: 811-2033
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EXHIBIT B

September 15, 2008

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The Reserve *Insights*

Views from your cash management experts.

Statement regarding recent events with Lehman Brothers and Merrill Lynch

In response to the historic events on Wall Street this past weekend, The Reserve is reaching out to its clients and partners to proactively communicate our position on current events, their impact, if any, on our portfolios and what our next steps will be over the coming weeks. We want to reaffirm The Reserve's commitment to carefully monitoring the situation and to providing information regarding the investment strategies of our fund offerings.

As the world's most experienced money fund managerSM, we view our role as your resource, partner and investment manager. We hope the information below is of value and please do not hesitate to contact your sales consultant or call 800-637-1700 with any additional questions, comments and requests for information.

Lehman Brothers and Merrill Lynch — What has happened?

Lehman Brothers Holdings Inc. has filed a Chapter 11 bankruptcy petition. No other Lehman Brothers' U.S. subsidiaries or affiliates, including the broker-dealer and investment management subsidiaries, are included in the filing. Additionally, Bank of America Corp., the nation's largest U.S. consumer bank, agreed to acquire Merrill Lynch and Company for approximately \$50 billion in stock.

How does this affect The Reserve's Primary Fund

The Reserve is committed to a \$1.00 NAV for its Primary Fund.

Reserve Management Company, Inc., (RMCI) intends to enter into support agreements with the Primary Fund to support

the value of Lehman credit held in the Fund. RMCI is the investment adviser to the Fund and has provided investment advice to investment companies within The Reserve family of funds since November 15, 1971. We have discussed with the SEC that our intent is to mitigate any decline in value of the Lehman debt so that it will not result in a decrease to the NAV of the Fund.

We are submitting appropriate documentation to the SEC today, September 15, 2008.

The Reserve's exposure to Lehman debt in the Primary Fund is less than 1.2%. The Fund has approximately 1.1% exposure to Merrill Lynch.

What happens to the Lehman and Merrill positions, and why don't they have material impact on the portfolios?

The majority of the Lehman Brothers' senior debt will be coming due over the next several weeks. Based on the current valuations of these holdings, we believe that the holdings will mature at par value. Due to the small exposure as well as par value at maturity, the NAV is not negatively impacted. Furthermore, our support agreements ensure the integrity of a \$1.00 NAV.

Additionally, it is our view that the existing Merrill Lynch paper represents minimal credit risk, remains fundamentally strong, and is further backed by Bank of America. We are confident that there will be no shareholder impact as the portfolios are structured to ensure principal protection and provide daily liquidity.

(over)

SEE REVERSE SIDE FOR IMPORTANT DISCLOSURE

Passionately
Inquisitive

Genuinely
Close

Expertly
Qualified

Visionary



The Reserve's Commitment

Although these are indeed historic and volatile times, we believe knowing and understanding the facts are always in everyone's best interests. We remain confident in the underlying credit strength and quality of the securities in all of our money market funds, which are prudently managed within the requirements of Rule 2a-7.

Based on this view, we continue to remain focused on the basic tenets of the money fund: safety of principal protection, liquidity and a reasonable rate of return. This is the same conservative approach The Reserve has utilized in successfully managing cash since our creation of the money market mutual fund nearly four decades ago.

About The Reserve

Founded in 1970, The Reserve is the world's most experienced money fund managerSM and global cash and liquidity specialist serving the brokerage, banking and institutional marketplace. In addition to launching the world's first money market fund, The Reserve has developed a full suite of innovative cash management solutions, including the industry's first FDIC-insured money market sweep program, diverse money market fund offerings, unique bank cash sweep services and cutting-edge cash plus products. Today, The Reserve manages more than \$100 billion for individuals, banks and institutional clients.

We thank you for the opportunity and privilege to serve your cash management and liquidity needs. ■

For further questions, please contact your sales consultant at The Reserve or our Client Service Team at 800-637-1700.

To learn more about how these insights may impact your cash management strategy, or to obtain more information about The Reserve's cash management products, services and solutions, please contact your regional consultant, or the appropriate contact listed below:

INSTITUTIONAL

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Having created the money fund in 1971, there is no other company in the world that has managed money market funds longer than The Reserve, the largest investment manager dedicated solely to cash and liquidity management.

An investment in the funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the funds. Money market yields may vary.

You should carefully consider the investment objectives, risks and charges and expenses of a fund before investing. A fund's prospectus, which contains this and other information, may be obtained by calling 800-637-1700 and pressing "0," or writing The Reserve, 1250 Broadway, New York, New York 10001-3701, or visiting www.TheR.com. You should read the prospectus carefully before you invest.

"The Reserve", its related logo, and "The World's Most Experienced Money Fund Manager" are service marks or registered service marks of Reserve Management Corporation in the United States and other countries.

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EXHIBIT C



IMMEDIATE RELEASE

September 16, 2008

The Board of Trustees of The Reserve Fund, after reviewing the unprecedented market events of the past several days and their impact on The Primary Fund, a series of The Reserve Fund and taking into account recommendations made by Reserve Management Company, Inc., the investment manager of The Primary Fund, approved the following actions with respect to The Primary Fund only:

The value of the debt securities issued by Lehman Brothers Holdings, Inc. (face value \$785 million) and held by the Primary Fund has been valued at zero effective as of 4:00PM New York time today. As a result, the NAV of the Primary Fund, effective as of 4:00PM, is \$0.97 per share. All redemption requests received prior to 3:00PM today will be redeemed at a net asset value of \$1.00 per share.

Effective today and until further notice, the proceeds of redemptions from The Primary Fund will not be transmitted to the redeeming investor for a period of up to seven calendar days after the redemption. The seven-day redemption delay will not apply to debit card transactions, ACH transactions or checks written against the assets of the Primary Fund provided that any such transaction from an investor, individually or in the aggregate, does not exceed \$10,000.

The Primary Fund will continue to accept purchase orders.

Effective tomorrow, September 17, 2008, the NAV for the Primary Fund will be calculated once a day at 5:00PM, New York time.

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